

How Many Acres?

THE ADMINISTRATION has set the new crop bean loan at \$2.30 per bushel, up 45¢ from last season. This is the highest bean loan since the Korean War and, at \$1.10 over the corn loan, the highest premium over corn that we have ever had. Unfortunately the loans on corn and beans were not set until after the compilation date of the March planting intentions report. However the final loan figures were not changed greatly from preliminary proposals so that farmers were able to make an educated guess at the final levels. The March report indicated bean acreage for all purposes up 9% from last year at 26.4 million acres. This implies acreage for harvest around 25.5 million.

There seems to be a general feeling that the construction of the corn loan plus confirmation of the bean loan at \$2.30 is likely to raise plantings somewhat further. The size of any additional increase is what is bothering analysts at this point. One has to consider that the increase reflected in the March intentions may have been largely due to the price action of old crop beans, in which case a further million acres or more might be added by the loan. History fails to give us a strong clue on this. Surface indications of past seasons point to no really detectable response to increases either on an absolute basis or relative to corn. Cases of acreage increase appear to be more closely associated with good price experience the prior year. Production costs (Table I) also cast a vote for corn rather than for beans.

Recent weeks however have seen the introduction of a new factor, that is, old crop corn prices have been very weak. This appears to be in the nature of an U.S.D.A. warning that noncomplying corn farmers cannot expect much price-bolstering help from Washington. Farmers are well aware that the Administration sought and received Congressional permission to sell corn in the open market at cheap prices to prevent noncomplying farmers from cashing in on the higher corn loan. In view of this, we would have to guess that the July report will indicate acreage of beans for beans around 26.5 million acres, perhaps a shade higher.

Using the March intentions, we would expect production of 592-607 million bushels; using 26.5 million, we would expect 610-626 million. In either case a total supply of 600 appears to be assured, and the total might easily stretch

TABLE I
Crop Costs and Returns, Central Illinois

	Corn	Soybeans	Oats	Wheat
Yield per acre, average				
1950-60 (bushels)	88.9	32.4	62.5	39.2
Average price received, 1959-60 per bushel	\$ 1.06	\$ 2.05	\$.64	\$ 1.82
Return per acre	94.23	66.42	40.00	71.34
Variable costs (fertilizer, seed and crop expenses) per acre	21.60	7.71	8.55	17.34
Overhead costs (machinery, buildings, taxes) per acre	28.63	21.93	17.18	20.19
Labor costs per acre	8.77	7.51	4.49	4.96
Land charge at 4% per acre	18.40	18.40	18.40	18.40
TOTAL COST per acre	77.40	55.55	48.62	60.89
NET RETURN TO MANAGEMENT (profit) per acre	16.83	10.87	-8.62	10.45
per bushel	.19	.34	-.14	.27

These figures must be used with some care as they are for intensive grain farms in central Illinois where fertility and cropping practices can hardly be considered representative of the country as a whole. On the other hand, they are about the only really good figures available, and the trends shown probably have a good deal of validity elsewhere.

as high as 650 million if my estimate of the acreage should prove low. It is difficult at the present time to forecast usage much above 575 million bushels (400 crush; 140 exports; 35 feed, seed, and residual). This is about the level of the past two seasons. It seems likely that we shall add to carry-over somewhere between 25 and 75 million bushels. The difference between the two figures could be very important in the market-place. We probably can afford to add to carry-over for a couple of years at the rate of 25 million bushels per year. We probably cannot afford to add at the rate of 75 million per year for more than just one year. However the total agriculture problem is going to take a lot longer than a year to solve at the speed that we are now approaching it. Therefore there is likely to be a continuing temptation to add some woe to beans to offset the difficulties of other crops.

Assuming for the moment that the prospective addition to carry-over is in the nature of 50 million or so, what are the prospects for new crop bean prices? You will note from Figure 1 that currently November beans are not unfairly priced in relation to the national average loan, at least on an historical basis. This has resulted in a very strong tendency for support to develop as November dips below 240. We would expect this action to continue at least until the July Crop Report, which is the next time we shall get an acreage figure. If plantings in the July Report materially exceed the March figure, then a new support zone may have to be established.

Products do not give much of a clue either. The value of December oil (currently 11¢) plus an estimated price for December meal of \$52 (December meal hasn't started trading yet) gives a product value of about November price. Assuming that beans will move at a substantial discount to November, which seems likely in view of the loan-induced high flat price and probable large production, this is about where products should be. Similarly therefore we would expect product support to develop in this general area or somewhat below. There is, of course, more downside latitude in the products than in the beans, at least over the intermediate term as products do not have the support of a loan, and crush can get out of line temporarily.

Another prospect that must be considered is the likelihood that we will have at least one weather market during the summer. This happens almost every year, and whether in any given year such weather rallies are justified is probably beside the point. Both bean and product markets are likely to be more susceptible to weather scares this season than in the past couple of years. This is because carry-over is likely to be very small, perhaps less than 10 million bushels. This gives more leverage to any talk of significant lowerings of per-acre yields. How much additional leverage will depend on the July acreage.

JAMES E. MCHALE, Merrill Lynch, Pierce, Fenner and Smith Inc., Chicago, Ill.

FIVE YEARS - NOVEMBER SOYBEAN FUTURES OVER CORRESPONDING FARM LOAN PRICES

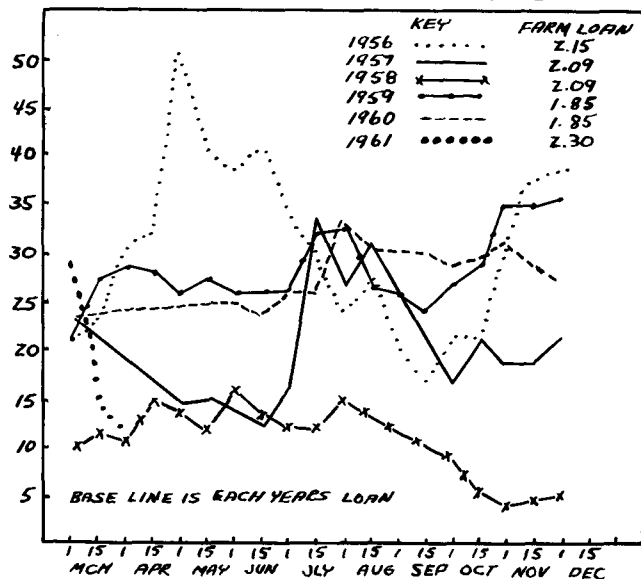
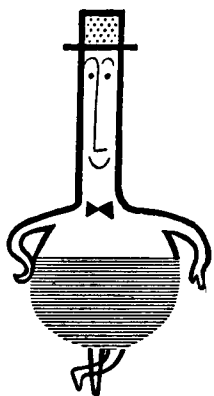


FIG. 1.



Meetings

A.O.C.S. National Meetings

1961—Chicago, Pick-Congress hotel, October 30–31, November 1

1962—New Orleans, Roosevelt hotel, May 7–9
Toronto, Royal York hotel, October 2–4

1963—Atlanta, Atlanta Biltmore Hotel, April 22–24
Minneapolis, Radisson hotel, September 30–October 2

A.O.C.S. Section Meetings

North Central—bi-monthly at the Builders' club, Chicago, 6:30 p.m.

Northeast—first Tuesday of February, April, and June, at Whyte's Restaurant, New York, 6 p.m.

Northern California—May, September, and November at selected places

Southwest—second Thursday of every other month, beginning January, at Rodger Young Auditorium, Los Angeles, 6:30 p.m.

Other Organizations

June 5–8—International Instrument-Automation Conference and Exhibit, sponsored by the Instrument Society of America, Royal York hotel, Toronto, Canada.

June 6–8—Second Congress on Environmental Health, by School of Public Health and the National Sanitation Foundation and American Public Health Association, University of Michigan, Ann Arbor, Mich.

June 12–29—18th annual Statistical Quality Control Intensive Courses for the Chemical and Processing Industries, Rochester Institute of Technology, Rochester, N.Y.

June 28–30—The 1961 Joint Automatic Control Conference, Boulder, Col.

July 27–Aug. 1—International Symposium on Macromolecular Chemistry, Montreal, Canada

Aug. 13–18—International Symposium on Micro-chemical Techniques, The Pennsylvania State University, University Park, Pa.

Aug. 14–18—Canisius College's Fifth Annual Infrared Spectroscopy Institute, Buffalo, N.Y.

Oct. 31—Nov. 3—The Sound Effluent and Water Treatment Exhibition and Convention, Seymour hall, London, England

Nov. 27–Dec. 1—28th Exposition of Chemical Industries, New York Coliseum, New York, N.Y.

Offers New Chemicals Index

"Index Chemicus," containing the listings of chemical names, structural diagrams, and molecular formulas for 75,000 new chemical compounds reported by the world's chemists in 1960, is available from the Institute for Scientific Information, 33 S. 17th street, Philadelphia 3, Pa. The index, which was prepared by electronic computing equipment in record-breaking time, gives complete bibliographical information, including titles of articles, authors, institutions, addresses, and original journal references.

NGS (neopentyl glycol succinate polymer) is now available from Applied Science Laboratories, State College, Pa.

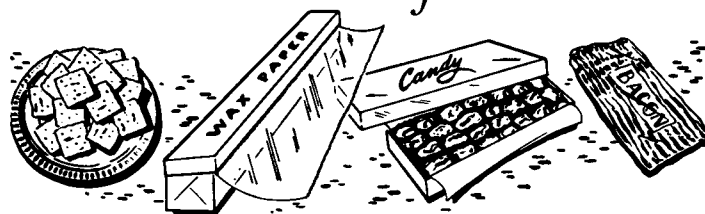
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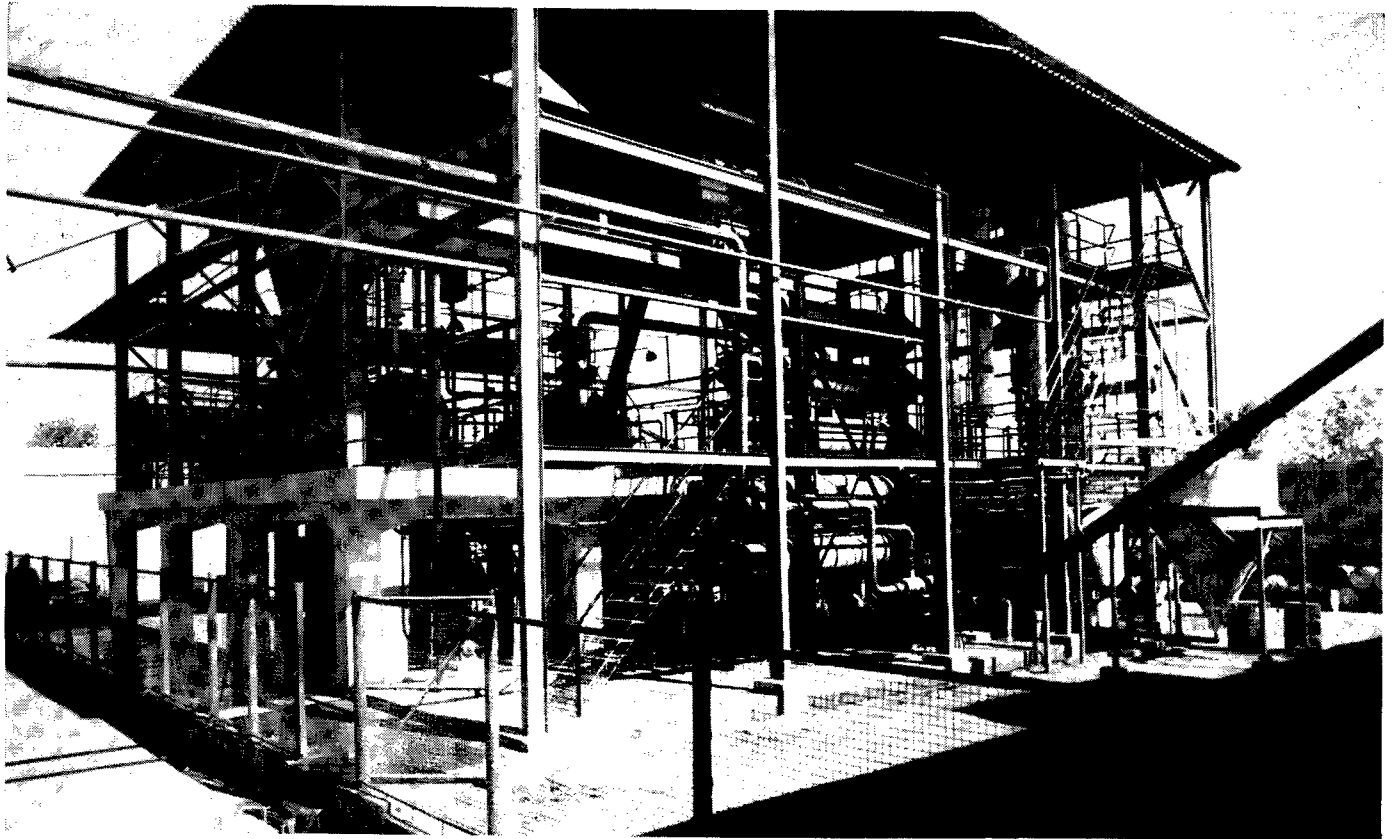


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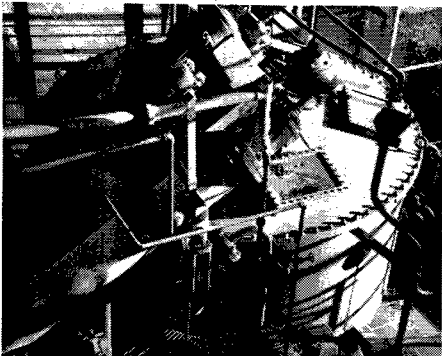
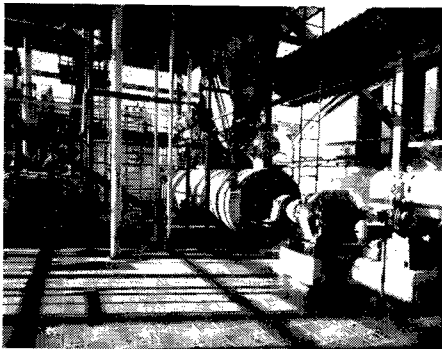
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