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# THE FEDERAL RESERVE BANK OF CHICAGO

# AGRICULTURAL LETTER

FEB 16 1949

February 7, 1947

January farm prices declined slightly ( $1\frac{1}{2}$  per cent) from the December level. Principal exceptions to the declines were soybeans and truck crops. Soybeans were up 18 cents, but hogs fell 90 cents and butterfat  $12\frac{1}{2}$  cents. Meanwhile the index of prices paid by farmers for living and production rose one per cent to a new all-time high.

USDA says that sharp fluctuations in feed prices appear to be over and the feed price level stabilized. A strong demand both domestically and for export is expected to keep feed-grain prices on stable levels at least until 1947 crop prospects begin to influence prices.

USDA economists foresee a considerable decline in prices of better grades of fat cattle when spring marketings swell. But relatively high prices are expected through the spring for lower grades of slaughter cattle and for stockers and feeders. A low level of hog marketings during the spring is expected to be a strong support factor for hog prices. Cattle on feed at the beginning of this year were four per cent above 1946 in the Corn Belt. Numbers on feed in Illinois and Iowa were close to an all-time record level. Shipments of stockers and feeders into the Corn Belt states during the last half of '46 set an all-time record.

The trend in fluid milk prices appears to be downward for the months ahead. Retail price reductions in some cities reflect the changing situation. But USDA says the current demand for milk and cream continues at a high level, especially in the East.

Lower market demand and prices and high feed and labor costs are the reasons given by USDA specialists for the prospect that the turkey crop this year will be about one-sixth below last year and nearly one-fourth below 1945 production.

Government agricultural economists say that in spite of a reduction of five to eight per cent this year from 1946 in egg production they expect an egg surplus this year of about 150 million dozen over and above what the market would absorb at prices 90 per cent of parity. USDA announces that it has extended its dry egg purchase program, adding another 10 million pounds to the 10 million pound purchase program previously announced for this year. The eggs are for export and use in the British food rationing system. Driers selling to USDA must certify to have paid farmers at least 33 cents per dozen, this price to prevail February 1 to May 1.

Estimating '47 demand for fats and oils at 10.7 billion pounds, the Department of Commerce says the U.S. will be 15 per cent or 1.6 billion pounds short of these needs. Supplies of shortening, oleomargarine, drying oils, and soaps will be far below demand. Little relief is in sight until after the fall harvest of oil-bearing crops. But increases are probable for the '47 fall and winter season. Higher support prices for flax and soybeans are expected to stimulate an increase of 15 to 25 per cent in the oil crop output. Price ratios of soybeans to corn and flax-seed to wheat are now highly favorable to the production of oil-bearing crops. In line with these oil crop needs and because of the unusually good '46 crop output, USDA has reduced somewhat the '47 production goals for acreages to be planted to wheat and corn.

Although some farm commodity prices have begun to adjust downward, Secretary Anderson recently defended high '47 production goals on the basis of the fats and oils needs and the likelihood that foreign relief demands for U.S. food grains continue to be more often underrated than overrated.

## AGRICULTURAL LETTER

A lively hot potato is currently being tossed back and forth in Washington—the issue over revamping the farm price support program. Anderson warns of heavy losses to the Federal treasury and the danger of overproduction and asks Congress for action. But at present it appears that the onus for revising the present price support set-up is one that Congressional agricultural leaders would very much like to avoid. Dairy producer interests have discussed with Anderson and others special support prices for dairy products. Anderson is reported as of the opinion that the present 90 per cent of parity is inadequate as a support level, especially with dairy product prices still well above 90 per cent of parity. Leaders apparently feel that higher support prices are in order, but are hesitant to say at what level.

The outbreak of hoof and mouth disease in Mexican cattle herds is giving serious concern to the American cattle industry and to Congressional agricultural leaders. The Senate Committee on Agriculture has been asked to make a study of the effects of the outbreak on the U.S. cattle industry. Mexican cattle are under quarantine. Normally this country imports about 500 thousand head of cattle from Mexico for fattening and marketing. Border state Senators are supporting a bill to build a fence between Texas and Mexico, but some scientists believe the disease is so contagious that humans and probably even birds may carry it over the border.

A special House subcommittee is to survey the fertilizer situation. Unusually heavy farm demand, a drop in imports of nitrates, transportation bottlenecks, and exports for agricultural rehabilitation of occupied areas abroad are factors which they will study.

An AFofL drive to unionize three million farm workers was announced in the January convention of the National Farm Labor Union. The announced aim would be to include all field workers in agricultural establishments throughout the nation. The union leaders say the drive is designed to improve the lot of farm laborers, who are treated as "second class citizens" because they do not share the "benefits" of Social Security, the Wage Hour Law, and the Wagner Labor Act available to other workmen.

USDA reports seven per cent more people at work on farms at the beginning of this year than a year ago. Farm wage rates for the nation are reported as 10 per cent above a year ago.

Walter B. Garver  
Agricultural Economist

P.S. Attached you will find a set of annual figures on trends relating to agriculture. It is suggested that if you find this information useful, you keep this sheet for future reference. Subsequent issues of the Agricultural Letter will carry a monthly supplement giving current figures on these series of data.

FARM BUSINESS CONDITIONS, 1940-1945

I T E M	A n n u a l							
	1940	1941	1942	1943	1944	1945	1946*	
<b>PRICES:</b>								
Received by farmers .....	(1935-39=100) .....	93	116	149	179	182	189	218
Paid by farmers .....	(1935-39=100) .....	98	103	117	127	133	136	152
Parity price ratio .....	(1910-14=100) .....	77	94	106	119	115	116	120
Wholesale, all commodities .....	(1935-39=100) .....	98	108	122	128	129	131	149
Paid by consumers .....	(1935-39=100) .....	100	105	117	124	126	128	139
Wheat, No.2 hard winter, Chicago .....	(dol.per bu.) .....	0.92	1.04	1.24	1.50	1.66	1.73	1.92
Corn, No.3 yellow, Chicago .....	(dol.per bu.) .....	0.63	0.70	0.83	1.05	1.15	1.16	1.50
Oats, No.3 white, Chicago .....	(dol.per bu.) .....	0.46	0.41	0.52	0.71	0.75	0.73	0.81
Soybeans, No.2 yellow, Chicago .....	(dol.per bu.) .....	1.06	1.68	1.72	1.90	2.20	2.11	-
Hogs, all purchases, Chicago .....	(dol.per cwt.).....	5.71	9.45	13.70	14.31	13.57	14.66	18.40
Beef steers, good grade, Chicago .....	(dol.per cwt.).....	10.48	11.36	13.90	15.34	15.73	16.00	19.32
Milk, wholesale, U. S. ....	(dol.per cwt.).....	1.82	2.18	2.57	3.12	3.23	3.21	3.96
Butterfat, local markets, U. S. ....	(dol.per lb.).....	0.28	0.34	0.40	0.50	0.50	0.50	0.65
Chickens, local markets, U. S. ....	(dol.per lb.) .....	0.13	0.16	0.19	0.24	0.24	0.26	0.26
Eggs, local markets, U. S. ....	(dol.per doz.).....	0.18	0.24	0.30	0.37	0.32	0.39	0.39
Milk cows, U. S. ....	(dol.per head).....	61	72	90	114	107	111	131
Farm labor, U. S. ....	(dol.per month without board).....	37	44	56	73	86	95	102
Factory labor, U. S.....	(dol.earned per week)	25.20	29.58	36.65	43.14	46.08	44.39	43.60
<b>PRODUCTION:</b>								
Industrial .....	(1935-39=100) .....	125	162	199	239	235	203	172
Farm marketings .....	(1935-39=100) .....	112	116	127	135	139	136	136
<b>INCOME PAYMENTS:</b>								
Total .....	(bil.of dol.) .....	76.2	92.7	116.6	142.3	156.8	160.7	165.0
Cash farm .....	(bil.of dol.) .....	9.1	11.8	16.0	20.0	21.2	21.6	24.6
<b>EMPLOYMENT:</b>								
Farm .....	(millions) .....	10.4	10.4	10.4	10.3	10.0	9.8	10.0
Non-agricultural .....	(millions) .....	35.5	39.4	41.9	42.1	43.7	43.5	47.2
<b>FINANCIAL:</b>								
Demand deposits, all banks <sup>c</sup> .....	(bil.of dol.).....	35.0	39.0	49.0	60.8	66.9	75.9	82.2 <sup>a</sup>
Loans, weekly reporting member banks:								
Total <sup>c</sup> .....	(bil.of dol.) .....	9.3	11.4	10.4	11.0	12.9	15.7	15.7 <sup>a</sup>
Commercial, industrial, and agricultural <sup>c</sup> ...	(bil.of dol.) .....	5.0	6.7	6.1	6.4	6.5	7.1	9.5 <sup>a</sup>
Agricultural loans, all insured commercial banks <sup>c</sup>	(bil.of dol.) .....	1.3	1.5	1.6	1.5	1.7	1.3	1.4 <sup>b</sup>
U. S. Government total gross direct debt <sup>c</sup> .....	(bil.of dol.) .....	45	58	108	166	231	278	262 <sup>d</sup>

\* Preliminary estimates. a. October. b. June. c. December. d. November.