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# THE FEDERAL RESERVE BANK OF CHICAGO

# AGRICULTURAL LETTER

March 2, 1951

Prices received by farmers increased four per cent from mid-January to mid-February, due largely to advances in meat animals. Prices paid by farmers advanced 1.5 per cent, reflecting higher prices for food, feeder cattle, feeds, and building materials. These changes in prices, received and paid, resulted in a rise of three points in the parity ratio—to 113, highest since July 1948. Even with this continuation of the up-trend in farm product prices, many commodities still continue below parity and therefore, below the minimum level at which ceiling prices may be imposed. Prices received for a selected list of farm products, and the corresponding parity are reported on the back of this Letter.

Elements of weakness were evident during the past week in both grain and livestock markets. This revived memories of the important "February slumps" of 1948 and 1949. It also brought to mind the fear expressed in some quarters last fall that it would not be possible to convert to defense production without a significant slackening of economic activity. After rechecking supply and demand prospects, it appears that inflationary factors still dominate the picture. This, of course, does not rule out short periods of market weakness, or even continuing weak situations for selected commodities. For example, if a very large wheat crop is harvested this year, it will result in important downward pressure on wheat prices unless unforeseen export requirements materialize. At the same time, large harvests of cotton and feed grains probably would have no more than usual seasonal price effects.

The entire enforcement staff of the Office of Price Stabilization has been ordered to check into complaints that meat price ceilings are not being observed. Wholesalers complain that packers are overcharging, while retailers, in turn, complain that wholesalers are charging above ceiling prices. Difficulties of enforcing a wide variety of individual price ceilings may well result in the announcement of uniform retail ceilings similar to those developed in World War II. The current wave of criticism is likely also to hasten the imposition of ceilings on live animals.

Leading national dairies are increasing production and extending market testing of the recently developed fresh milk concentrate. Most reports indicate a ready acceptance of this product by consumers. As volume is expanded, production and marketing economies may be realized to the benefit of both dairy farmers and consumers.

Domestic utilization and exports of feed grains continue at high levels indicating that the carry-over by October 1 will probably be about one-fourth less than the 31 million tons on hand last October 1. Most of the reduction, according to a recent BAE review, would be in corn stocks which may be cut one-third from the record carry-over of 860 million bushels last October.

The Reciprocal Trade Agreements Act is being considered by Congress for a three year extension. Secretary Brannan has criticized an amendment adopted on the House floor which calls for automatic suspension of concessions under the agreement whenever duty-paid import prices drop to or below the U.S. price support level on farm products. Indicating that such a provision would permit foreign countries to withdraw concessions made by them and thereby work to the disadvantage of American farmers, the Secretary pointed out that U.S. exports of price-supported commodities are important, accounting for 37 per cent of the cotton, 26 per cent of the wheat, 27 per cent of the tobacco, and 39 per cent of the rice produced in the U.S.

Ernest T. Baughman  
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Farm Product Prices  
February 15, 1951

Commodity	Prices Received by Farmers	Parity Price <sup>1</sup>	Per Cent Price Re- ceived is Above (+) or Below (-) Parity
Hogs, cwt. ....	\$22.00	\$20.90	+5.3
Beef, cattle, cwt. ....	29.00	19.40	+49.5
Veal calves, cwt. ....	33.30	21.80	+52.8
Sheep, cwt. ....	17.70	N.A.	--
Lambs, cwt. ....	33.30	21.30	+56.3
Butter, lb. ....	0.61	N.A.	--
Butterfat, lb. ....	0.70	0.75	-6.7
Milk, wholesale, cwt. ....	4.63	4.69	-1.3
Milk, retail, qt. ....	0.20	N.A.	--
Chickens, live, lb. ....	0.27	0.31	-12.9
Turkeys, live, lb. ....	0.35	N.A.	--
Eggs, doz. ....	0.41	0.52	-21.2
Wool, lb. ....	1.09	0.55	+98.2
Wheat, bu. ....	2.21	2.36	-6.4
Rye, bu. ....	1.58	1.73	-8.7
Rice, rough, cwt. ....	5.83	5.44	+7.2
Corn, bu. ....	1.60	1.71	-6.4
Oats, bu. ....	0.92	0.96	-4.2
Barley, bu. ....	1.33	1.48	-10.1
Sorghum grain, cwt. ....	2.18	2.91	-25.1
Hay, all baled, ton ....	23.20	N.A.	--
Cotton, lb. ....	0.42	0.33	+27.3
Cottonseed, ton ....	100.00	72.00	+38.9
Soybeans, bu. ....	3.08	2.76	+11.6
Peanuts, lb. ....	0.11	0.13	-15.4
Flaxseed, bu. ....	4.49	4.61	-2.6
Potatoes, bu. ....	1.03	1.76	-41.5
Sweet potatoes, bu. ....	2.05	2.51	-18.3
Beans, dry edible, cwt. ..	7.84	9.05	-13.4
Peas, dry field, cwt. ....	4.97	N.A.	--
Tobacco, lb. ....	0.33	N.A.	--

<sup>1</sup>These parity prices are not seasonally adjusted and do not determine minimum legal ceiling prices for all commodities.

SOURCE: Bureau of Agricultural Economics, United States Department of Agriculture.