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# THE FEDERAL RESERVE BANK OF CHICAGO

# AGRICULTURAL LETTER

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March 16, 1951

Present prospects indicate a favorable season for 1951 crop production. This was the conclusion of the USDA's March 1 crop report. The very heavy snowfall which blanketed much of the country's important farm areas in the past week was accompanied by serious frost damage in some fruit and vegetable areas and will delay plantings of some field crops but probably will not be serious. Winter wheat survived February weather successfully for the most part and promises to make a good crop in most areas. Citrus fruit production is estimated to be larger than a year ago, except for tangerines. Farm poultry flocks turned out one per cent less eggs in February than a year earlier, due to a two per cent smaller number of laying hens.

Milk production in February was the third highest of record for the month but seasonally lower than in January. The number of milk cows on farms was essentially unchanged during 1950, in sharp contrast to the seven per cent increase for both hogs and other cattle. Farmers have large numbers of heifers and heifer calves, however, indicating that dairy herds can be increased rapidly if milk production becomes profitable relative to meat animals. Dairy product prices are expected to remain at about present levels for the next few months even though milk production will be increasing seasonally. The BAE suggests, however, that prices will strengthen in the second half of the year as milk production declines and consumer demand increases as a result of rising incomes. Consumption of fluid milk and cream is continuing larger than last year, partly at the expense of butter.

Price ceiling developments continue to highlight farm news with present reports indicating that a Chicago ceiling of hogs of about \$23 will be established in the near future. The Office of Price Stabilization is debating whether the ceiling should be announced in a period of declining pork and hog prices. The fall pig crop is beginning to appear at some markets. If receipts pick up materially the expected seasonal decline through April will get under way.

Beef cattle price ceilings are expected to be announced early in April. While these probably will not involve significant rollbacks, they will block a normal seasonal increase in fed cattle prices next summer and fall. With this in mind, some farm management specialists say that "feeder cattle prices seem too high."

Lamb ceilings probably will not be announced until after the pork and beef orders are out. There is continuing uncertainty about price control for wool; its effectiveness would be greatly limited as the United States is dependent upon imports for a large part of its consumption. The early spring lamb crop in principal producing states is estimated to be about two per cent larger than last year, reflecting the increase in number of breeding ewes. U.S. wool production in 1950 totaled 252.5 million pounds, slightly more than in 1949, and is estimated by BAE to have brought cash receipts to growers of shorn wool of 126 million dollars, about 19 million more than in 1949. The average price received by growers was 57.3¢ per pound, being exceeded only by the record price in 1918. We have had reports of 1951 wool being contracted at prices in excess of \$1 a pound.

Additional orders governing pricing by food wholesalers and retailers are on the way. These are indicated to take food distributors out of the general price freeze and put them under mark-up type controls. This is reported to be an interim step in the direction of specific dollar and cents ceilings which the OPS has indicated may be expected within the next three months.

Ernest T. Baughman  
Agricultural Economist  
Research Department