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THE FEDERAL RESERVE BANK OF CHICAGO AGRICULTURAL LETTER

September 25, 1947

MAY 16 1949
U.S. DEPARTMENT OF AGRICULTURE

As this is written, there is much serious talk and thinking going on in Washington, in Cabinet, and closely related circles over the international food situation. Perhaps by the time this Letter reaches readers public announcement will have been made of a program to meet the situation and to try to check rising prices at home. The President is reported to have been urged to end the farm price support program, to institute voluntary food rationing, and to reinstitute price controls. Albert Goss, Master of the Grange, recently returned from Europe, said that without increased shipments of food from this country to many European areas even the present minimum subsistence, near-starvation diets will be lowered. He urged reduced buying of meat and livestock products by domestic consumers in order that less grain be fed to livestock, and more grain could be shipped abroad, but said he avored re-establishment of controls over the use of grains if voluntary methods fail. O. B. Jesness of the University of Minnesota, who has just returned from a month in Europe, told us on Monday of his chagrin while in London at newspaper headlines which reported that wheat and flour imports from this country into England had to be cut because we were going to feed more wheat to livestock in this country.

USDA says world production of breadgrains will be only slightly larger in 1947 than last year, and that production in Europe and other deficit countries is far below average. Even though world exports of grains and grain products for the year ending July 1, 1947, were equal to the prewar average, they were one-fourth below the stated requirements of importing countries. The Canadian wheat crop this year is one-sixth below last year. Indications now are that the Argentine crop will be one-eighth below last year. Incidentally, Argentine wheat growers are getting less than \$1.50 per bushel; the Argentina Government has been selling the wheat at around \$5.00 to needy countries.

Unless drastic controls on grain utilization are established in this country, grain exports will be reduced at least 30 per cent. Secretary Anderson has indicated that only 350 million bushels of wheat and flour equivalent can be exported during the current crop year, and 50 million bushels of other grains (corn exports are banned). This compares with 563 million bushels of grain shipped during the last crop year. November grain export allocations recently announced are 35 per cent below the October allocation and more than 40 per cent below the third quarter monthly average.

USDA reports the world potato crop in 1947 as somewhat smaller than last year and substantially below prewar. The European crop, somewhat more than half the world total, is five per cent below last year and nearly one-fourth below prewar, in spite of substantially larger acreages planted in Europe this year than last. Potatoes are a much more important factor in European diets than in other parts of the world. Potato production goals for the U.S. recently announced for 1948 call for smaller total acreages than this year and are aimed at producing 375 million bushels, assumed to be the domestic demand.

Reductions in grain exports will probably put renewed pressure on fats and oils supplies as foreign nations strive for food. Rates of exports have been small recently. The Department of Commerce says domestic production in the current crop year may reach 9.5 million tons, a record high for peacetime production.

Activities under the Research and Marketing Act of 1946 have been necessarily slow in getting under way. Recently projects have been taking shape and put into action. One recently approved study deals with research in breeding dairy cattle for Southern States and involves crossing Red Sindhi bulls (a breed with a high tolerance of climatic heat) with Jersey and other dairy breeds.

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