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THE FEDERAL RESERVE BANK OF CHICAGO
AGRICULTURAL LETTER

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In its latest report on the demand and price situation USDA indicates stronger prices for livestock and dairy products but prices at least seasonally lower for grains. No easing of consumer demand for food is anticipated in the next few months, so most of the indicated price adjustments are closely related to the changing relative supply situation for individual commodities or commodity groups. Rises in livestock prices relative to meat prices are indicated, reflecting seasonal changes in supplies except that hog prices are expected to rise more than seasonally with an expected substantial drop in marketings. Seasonal rises are anticipated for fed cattle, but there may be some decline in grass-fed cattle.

Milk and butterfat prices are expected to continue to average above last year, at least until fall, with milk production running somewhat below 1947 during the balance of this year. Strong demand for fluid milk and cream will leave less for manufactured dairy products. Continued high demand for these products and exports of evaporated milk and cheese should keep dairy product prices well above last year. Egg prices are expected to continue at or around support levels. Turkey prices will probably set an all-time record during the marketing season and will be about 10 per cent above last year.

Smaller production of fruits and vegetables is expected to result in higher prices later in the summer bringing them up about to the level of 1947 summer prices. Wheat prices are expected, according to the report, to average well above the loan level during the 1948-49 marketing season. Corn and feed grain prices are of course not too easy to anticipate until the year's production has progressed further. Based on favorable growing conditions, the forecast anticipates price declines at least as large as the usual seasonal declines for oats and barley and a drop considerably larger than the usual seasonal change in corn prices.

The USDA June Crop Report carries no estimate on corn, of course, but the report indicates that corn planting was about completed in almost all areas by June 1, and this was said to be slightly ahead of usual progress for that date. The good start for corn is said to be the best in several seasons. The second largest crop of wheat on record is forecast for the year, 1,192 million bushels (877 million bushels of winter wheat and 315 million bushels of spring wheat) as compared with 1,365 million bushels last year and a 10-year, 1937-46, average of 943 million bushels. Seeding of spring grains was so delayed in some areas, however, that shifts from wheat and oats to barley, flax, and corn will result in a reduction from the March 1 planting intention indications for the former and increases for the latter.

USDA reports and estimates on cash farm income, including Government payments, for the first half of this year show a moderate increase of about three per cent over the first half of 1947. During the first half of 1947 cash farm income was at an annual rate of 30 billion dollars, and preliminary estimates place the rate for the first half of this year at nearly 31 billion dollars, annual rate. This makes 1948 the seventh consecutive year in which "first-half" income has exceeded the previous year. Lest this set of figures give the impression that farm income is still definitely rising, it should be emphasized that in December and January cash farm income reached an annual rate of 34 billion dollars, while the rate for this month may not be much, if any, above 29 billion dollars. A comparison of cash farm income during the first quarter of 1948 with the same period of last year shows that the states in the area approximately corresponding to the Seventh Federal Reserve District (East North Central States) had an increase of only 2.6 per cent compared with 11 per cent in the North Atlantic States and a national increase of 4.7 per cent.

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