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THE FEDERAL RESERVE BANK OF CHICAGO

AGRICULTURAL LETTER

July 30, 1948

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Inflation appears to have picked up a little in pace recently if the BLS wholesale price index is any sure-fire indication. By the middle of this month wholesale prices had reached levels above the high points achieved after World War I, with accelerated rates of increase and with rises prominent in food and industrial products, but with the rises rather general. The rise in the index for all wholesale prices was more than one per cent for the week ending July 17 alone.

At the same time consumer prices have been establishing a new high water mark each month since March. By the middle of July they were more than one-sixth above the high point reached in the June 1920 postwar I peak. Food prices alone rose $1\frac{1}{2}$ per cent from the middle of May to mid-June, and preliminary indications are that they advanced nearly four per cent from June to the middle of this month. Greatest increases were for meats and eggs, but even fruits and vegetables showed marked increases at retail.

In the new session of Congress a bill has been introduced which would authorize the Senate Banking Committee to launch an investigation into present high prices of meat. Such an investigation would surprise the public if it turned up anything new—most people know at heart why meat is relatively high. But it does show the pressures that can be turned on and how easy it is to pick on one group of commodities as a dramatic "victim" of dissatisfaction over the high cost of foods.

Here's an interesting new twist to price-control legislation: Senator O'Mahoney (of Montana) has introduced a bill which would require a "cooling off" period of 30 days on price increases for major commodities before they could become effective. The bill would make the provisions applicable to corporations producing essential commodities, 30 per cent or more of the annual output of which is produced by less than six of the producers in the industry. The idea is not to prohibit the increases, but since a Federal Trade Commission public hearing on justification of the increases is required by the bill, the measure would, according to the Senator, so embarrass "the giant corporations" that they would be unwilling to be cross-examined as to their pricing policies and profits.

The appeal by Secretary of Agriculture Brannan this week to farmers to protect their crops of grain through proper storage and thus protect their investment in the grain was apparently misunderstood as a device chiefly to bolster prices. There is no doubt that backing up of receipts without adequate transportation and storage facilities during the peak movement could have a depressing influence on prices temporarily, and it is this influence that Brannan was referring to rather than encouraging farmers to hold for a long period in order to strengthen prices.

The problem of how to handle large amounts of CCC loaned-on grain could become a very mean one if producers should decide to put substantial amounts of crops under the loan. CCC storage space is less than half what it was at the peak, and the new law extending CCC specifically prohibits it from acquiring new facilities.

USDA late last week announced some of the farm production goals of the Department for 1949. These goals are not quite entirely ignored by farmers, and they are used as state and county guides in advising farmers on desirable shifts in production. The 1949 wheat goal calls for a reduction of about eight per cent from this year in the acreage sown to wheat. This, with average yields, would give a crop of about 1.1 billion bushels. On beef cattle the goal suggested calls for a breeding herd of 15.5 million head by January 1—500,000 head less than at the beginning of this year. This would mean careful culling "in order to maintain healthy, well-balanced herds while increasing meat supplies in the months ahead."

Walter B. Garver
Agricultural Economist

FARM BUSINESS CONDITIONS
JUNE 1948, WITH COMPARISONS

ITEMS	1948		1947	1940
	JUNE	MAY	JUNE	JUNW
PRICES:				
Received by farmers	(1935-39=100)	276	270	253
Paid by farmers	(1935-39=100)	196	195	180
Parity price ratio	(1930-14=100)	118	116	117
Wholesale, all commodities	(1910-39=100)	204	203	182
Paid by consumers - "cost of living"	(1935-39=100)	170 ^a	169 ^b	156 ^a
Wheat, No. 2 hard winter, Chicago	(dol. per bu.)	2.38	2.45	2.45
Corn, No. 3 yellow, Chicago	(dol. per bu.)	2.32	2.31	2.10
Oats, No. 3 white, Chicago	(dol. per bu.)	1.11	1.17	1.02
Soybeans, No. 2 yellow, Chicago	(dol. per bu.)	4.15 ^c	4.02	3.15 ^d
Hogs, all purchases, Chicago	(dol. per cwt.)	23.10	20.15	22.06
Beef steers, good grade, Chicago	(dol. per cwt.)	34.85	30.91	25.72
Milk, wholesale, U. S.	(dol. per cwt.)	4.61	4.63	3.64
Butterfat, local markets, U. S.	(dol. per lb.)83	.84	.63
Chickens, local markets, U. S.	(dol. per lb.)31	.29	.28
Eggs, local markets, U. S.	(dol. per doz.)43	.42	.42
Milk cows, U. S.	(dol. per head)	186	181	149
Farm labor, U. S.	(dol. per month, without board)	-	113 ^b	107 ^b
Factory labor, U. S.	(dol. earned per week)	51.89 ^a	51.68 ^b	48.44 ^a
PRODUCTION:				
Industrial, physical volume	(1935-39=100)	192 ^a	188 ^b	185 ^a
Farm marketings, physical volume	(1935-39=100)	125	121	138
INCOME PAYMENTS:				
Total personal income, U. S. ¹	(Annual rate, bil. of dol.)	208 ^a	207 ^b	191 ^a
Cash farm income, U. S. ^{***}	(Annual rate, bil. of dol.)	31	28	31
EMPLOYMENT:				
Farm	(millions)	11.3	10.4	11.4
Non-agricultural	(millions)	51.9	50.8	49.7
FINANCIAL:				
Demand deposits, weekly reporting member banks*	(bil. of dol.)	46.4	46.9	47.0
Loans, weekly reporting member banks, all leading cities: ²				
Total*	(bil. of dol.)	23.8	23.6	20.2
Commercial, industrial, and agricultural*	(bil. of dol.)	14.3	14.2	11.8
U. S. Government total gross direct debt**	(bil. of dol.)	252	252	258

^aMay. ^bApril. ^cEstimated. ^dLast trading day of the month, bid price.

*Last Wednesday of the month. **End of month. ***Based on estimated monthly income.

¹Replaces the former series on "Total Income Payments." Comparable data for earlier periods available on request.

²Revised series, data not comparable to former series on "Weekly Reporting Member Banks in 101 cities."