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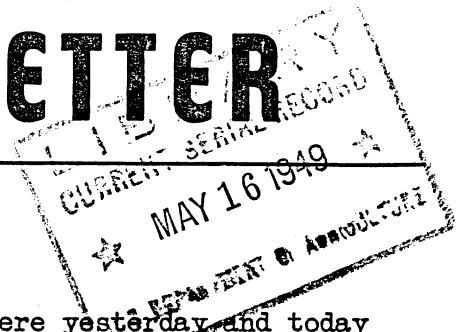
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THE FEDERAL RESERVE BANK OF CHICAGO

AGRICULTURAL LETTER

Cherokee, Iowa
August 20, 1948



Thousands of northwestern Iowa farmers have gathered here yesterday and today to witness the Forty-First Annual Pilot Rock Plow Match and Soil Conservation Service Farm Renovation Day. Today the Frank Werthman farm, southwest of town, is getting a one-day face lifting as dozens of engineering, soil management, and water experts, and hundreds of workmen, convert the farm to a modern, soil conserving farm—terraces, contours, dykes, drop outlet, and all. All the farmers we have talked to in the Iowa Bankers Association headquarters tent are here for the serious business of learning. Last night as we flew over most of Cherokee County observing the soil problems in the "Little Sioux Valley" area, we could not help feeling that 25 years from now the nation may look back on projects like this with more gratitude and understanding than seems possible now. Among farmers concentrating intensely on immediate and "down-to-earth" practical problems, and in the midst of this great land of bursting plenty, it is hard to think of "world conditions" as having any relation to this immediate reality, but the world economic situation does seem to be "looking up" a bit.

There is encouragement in the progress which Marshall Plan countries have made in restoring industrial production. Rate of output during the first quarter of 1948 had recovered to 90 per cent of prewar, and in Britain, the Scandinavian countries, France, the Netherlands, and some other countries output exceeded prewar rates, but in Germany, Greece, and Italy the economies are still far behind.

In Western Europe bread grain production this year is expected to equal the 1935-39 average, although if the United Kingdom is excluded, the output will be about six per cent below prewar. The increased output of grains in Europe plus continued exports from this country are expected to raise the diet level in Europe. The ECA food director recently indicated that the bumper crops here would probably boost ECA shipments to Europe during this crop year, although he said he did not think the increases would make much difference in farm prices of grains. ECA Administrator Hoffman last week said that grain purchases might be made in Argentina by ECA, but only if prices there are in line with world prices.

A further sign of grain price readjustments was the dropping on August 1 of the Canadian equalization fees charged on oats and barley exports. For five years these fees have been on the books in order to prevent the higher grain prices in this country from undermining Canadian price control.

USDA announced last week that the number of cattle on feed August 1 in the Corn Belt was 12 per cent below a year ago, but the big corn crop is expected to result in an increased movement of cattle into lots this year, and in feeding to heavier weights. Canada this week lifted a six-year embargo on shipments of beef cattle (and dressed beef) to this country. It is expected that about 100,000 head of Canadian cattle, mostly feeders, will be shipped into this country during the rest of 1948. These animals will no doubt find a ready welcome among Corn Belt feeders.

In the closing days of the special session of Congress notice was served by Southern Senators that the oleomargarine tax fight will be renewed in the next session. By the way, the tax laws that are the subject of the controversy have a new name with "psychological appeal"—they are being called "antimargarine laws."

Walter B. Garver
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