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# THE FEDERAL RESERVE BANK OF CHICAGO

# AGRICULTURAL LETTER

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FEDERAL RESERVE BANK  
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NOV 13 1948

December 17, 1948

A sharp division of opinion is reported to have developed between delegates to the annual meeting of the American Farm Bureau Federation currently at Atlantic City. The division is over the level of Government farm price supports. AFBF aggressively supported the principle of flexible price supports as passed in the Agricultural Act of 1948 and applying to 1950 crops. But some delegates, especially those from Southern states, are now trying to get AFBF to reverse its position and come out for mandatory 90 per cent supports.

In a report on the feed situation USDA says that, with this year's feed production, feed prices will continue much lower in the 1948-49 feeding season than in 1947-48, especially through the winter and spring. Feeds will also be lower in relation to protein concentrates than last year. Total supply of all feed concentrates will be about one-fourth above last year's small supply. Continued strong demand for feeds is expected during the season, and livestock to feed price ratios are expected to be favorable to feeding, particularly during the first half of 1949. A marked increase in exports of feed grains over 1947-48 is anticipated for feed grains in 1948-49.

While off to a slow start earlier this season in spite of ample feed supplies and the favorable livestock to feed price ratios, cattle feeders did some catching up in November by heavy movement into feed lots. The December 1 report shows November shipments of stockers and feeders into 11 Corn Belt states 39 per cent above November of last year, making the July 1-December 1 movement 10 per cent over a year ago. For the two large feeding states, Iowa and Illinois, November in-shipments were the highest on record, 67 per cent and 35 per cent, respectively, above last year.

The last crop report contains some interesting items regarding use of feeds by farmers. Milk production per cow in November was the highest on record for the month, although milk cow numbers were the lowest since November 1930. November egg production set a new record both in eggs per layer and in total eggs produced. With a total of laying flocks two per cent below 1947 the egg production was seven per cent over November of last year, and nearly 50 per cent above the 10-year average for 1937-46.

Lower net farm incomes for 1948, the first decline in 10 years, are indicated by BAE. The decline of more than 10 per cent in farm prices since July, together with the fairly stable level of farm costs, has begun to squeeze net farm income. In fact, aside from lower feed costs resulting from the decline in crop prices, the total of farm costs continues to rise.

A rise of 29 per cent in loan applications and an increase of 50 per cent in funds loaned for farming operations above the same period of last year have been reported by the Farmers' Home Administration for the four months, July through October. A total of 30,000 applications and of 22,000 loans for 26 million dollars represents the volume of operations of FHA for the period. Another 1,000 loans totaling six million dollars were made during the four months to finance purchase, enlargement, or development of farms.

If you watch employment and unemployment totals as one indication of demand for farm products, it may seem a little odd that both totals should rise. A recent Government report shows that employment in November was 2 1/3 per cent above November of 1947 and unemployment was up 10 per cent. The explanation is a rise of nearly three per cent in the labor force for the year, due mostly to population increases.

CCC has announced that 1949 policy on sales of commodities it owns or controls will be in accordance with legal requirements for 1950 crops—that is, not below the lowest of: (1) cost to CCC, (2) 90 per cent of parity, and (3) the average of support price and parity.

FARM BUSINESS CONDITIONS  
NOVEMBER 1948, WITH COMPARISONS

I T E M S	1948		1947	1940
	NOV.	OCT.	NOV.	NOV.
<b>PRICES:</b>				
Received by farmers ..... (1935-39=100) .....	253	258	268	96
Paid by farmers ..... (1935-39=100) .....	193	195	189	98
Parity price ratio ..... (1910-14=100) .....	110	111	119	78
Wholesale, all commodities ..... (1935-39=100) .....	203	204	196	98
Paid by consumers - "cost of living"..... (1935-39=100) .....	173 <sup>c</sup>	174	165	101 <sup>a</sup>
Wheat, No.2 hard winter, Chicago ..... (dol.per bu.) .....	2.33	2.24	3.05 <sup>c</sup>	.90
Corn, No.3 yellow, Chicago ..... (dol.per bu.) .....	1.38	1.47	2.42	.65
Oats, No.3 white, Chicago ..... (dol.per bu.) .....	.88	.78	1.24	.38
Soybeans, No.2 yellow, Chicago ..... (dol.per bu.) .....	2.58	2.44	3.66	.95
Hogs, all purchases, Chicago ..... (dol.per cwt.).....	22.68	25.48	24.96	6.11
Beef steers, good grade, Chicago ..... (dol.per cwt.).....	29.12	32.24	29.12	11.73
Milk, wholesale, U. S. .... (dol.per cwt.).....	4.90	4.91	4.90	2.02
Butterfat, local markets, U. S. .... (dol.per lb.) .....	.64	.68	.78	.31
Chickens, local markets, U. S. .... (dol.per lb.) .....	.29	.30	.25	.13
Eggs, local markets, U. S. .... (dol.per doz.).....	.58	.55	.53	.26
Milk cows, U. S. .... (dol.per head) .....	192	196	159	62
Farm labor, U. S. .... (dol.per month, without board)	--	118	112 <sup>a</sup>	37 <sup>a</sup>
Factory labor, U. S. .... (dol.earned per week).....	54.64 <sup>a</sup>	54.18 <sup>b</sup>	51.05 <sup>a</sup>	27.13 <sup>a</sup>
<b>PRODUCTION:</b>				
Industrial, physical volume ..... (1935-39=100) .....	195 <sup>a</sup>	192 <sup>b</sup>	190 <sup>a</sup>	132 <sup>a</sup>
Farm marketings, physical volume ..... (1935-39=100) .....	155	188	168	130
<b>INCOME PAYMENTS:</b>				
Total personal income, U. S. <sup>1</sup> ..... (Annual rate, bil.of dol.).	216 <sup>a</sup>	215 <sup>b</sup>	200 <sup>a</sup>	81 <sup>a</sup>
Cash farm income, U. S. *** ..... (Annual rate, bil.of dol.).	29	31	30	9
<b>EMPLOYMENT:</b>				
Farm ..... (millions) .....	11.1	11.7	10.9	10.9
Non-agricultural ..... (millions) .....	51.5 <sup>a</sup>	51.6 <sup>b</sup>	50.6 <sup>a</sup>	36.6 <sup>a</sup>
<b>FINANCIAL:</b>				
Demand deposits, weekly reporting member banks* ..... (bil.of dol.) .....	47.3	47.4	48.0	--
Loans, weekly reporting member banks, all leading cities: <sup>2</sup>				
Total* ..... (bil.of dol.) .....	25.2	24.6	23.1	--
Commercial, industrial, and agricultural* ..... (bil.of dol.) .....	15.6	15.4	14.3	--
U. S. Government total gross direct debt** ..... (bil.of dol.) .....	253	253	258	44
<sup>a</sup> October. <sup>b</sup> September. <sup>c</sup> Estimated. *Last Wednesday of the month.    **End of month.    ***Based on estimated monthly income. <sup>1</sup> Replaces the former series on "Total Income Payments." Comparable data for earlier periods available on request. <sup>2</sup> Revised series, data not comparable to former series on "Weekly Reporting Member Banks in 101 Cities."				

Compiled from official sources by the Research Department, Federal Reserve Bank of Chicago.