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THE FEDERAL RESERVE BANK OF CHICAGO

AGRICULTURAL LETTER

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1949
SPECIAL RECORD
U.S. DEPARTMENT OF AGRICULTURE

A drop of 2.4 per cent in the wholesale prices of farm products, and of 1.5 per cent in the wholesale price of foods for the week ending January 18 was reported Monday by BLS. This brings the wholesale prices of farm products to 15 per cent below a year ago and food prices to 10 per cent lower. A drop for the week ending January 18 alone was two per cent for grains and meats and four per cent for livestock. It should be remembered that these are wholesale price indexes and are not the same as the USDA indexes of prices received by farmers. With these drops meats at wholesale are 11 per cent below a year ago, grains are off 13 per cent, and livestock items were down 18 per cent.

In appearing before the Senate Committee on Agriculture, Secretary Brannan said that USDA would soon have ready for presentation proposed laws to deal with the farm price support problem, and grain stockpiling. Indications given at the hearing were that thinking about stockpiling is now in terms of a total of about 800 million bushels capacity. This is considerably lower than previous talk, which ran along the lines of a billion bushels of corn and 400 million bushels of wheat storage capacity.

Surpluses of grain and cotton are looked for this year, and some haste is being made in Washington to get through Congress legislation to exempt the 1949 acreages of wheat and cotton from any future acreage bases to be used for allotments or quotas. If 1949 acreages are not exempted it is expected that farmers will over-plant this year, thus aggravating the expected surpluses in order to establish as large a base for themselves as possible.

There is talk in USDA of the possibility of having to support dairy prices— at least butterfat—during the coming spring flush production. Supports would be at 90 per cent of parity, but whether a uniform and flat level of just under 60¢ will be used, or regional and seasonal variations will be worked out has not been decided yet.

Bills have been introduced in Congress by Senator Wiley and Representative Murray, both of Wisconsin, which would require the Secretary of Agriculture to support milk prices at not less than 90 per cent of parity. Milk is and has been for some time well above that level.

Protesting the possibility of lower tariffs on butter, cheese, casein, and palm oil that might result from present tariff discussions in Washington, the National Co-operative Milk Producers Federation said that butter is the "balance wheel" in the domestic milk utilization and pricing structure, and warned that any reductions in tariffs would not only affect all dairy farmers adversely, but would make difficult operation of the Agricultural Act of 1948, which raised parity prices of dairy products about 10 per cent.

December hatchery output was at a record level for the month, 63 per cent above December 1947 and 58 per cent over the 1942-46 average for December. The January hatch is also expected to be much larger than a year ago. In the strengthened demand for chicks the most substantial factor was the order for commercial broiler production rather than for chicks for egg production. USDA says that on January 1 potential layers on farms totaled three per cent less than a year ago, and the smallest since 1941.

Official announcement was made by USDA on January 18 of the egg price support program for 1949. The objective will be, as previously, to net producers 90 per cent of parity, or about 48¢ for the year. For January and February buying will be down to reflect 35¢ to producers. About the only change in the program this year is that if necessary USDA will buy frozen eggs in the midwest and shell eggs in areas not served by driers and breakers if prices in those areas get out of line in spite of the dried egg purchase program.

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