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# THE FEDERAL RESERVE BANK OF CHICAGO

## AGRICULTURAL LETTER

May 3, 1951

Prices received by farmers continued to decline during the month ended April 15 due mainly to lower prices for truck crops and dairy products. Wool, most fruits, eggs, and some meat animals were also lower. Price increases occurred for chickens, cotton, and a few other commodities.

Prices paid by farmers rose more than one per cent to a new peak. Higher wage rates for hired labor and higher prices for some production items as seed and livestock caused most of the increase. The ratio of prices received to prices paid (parity) was 109 per cent, compared with 111 in March and 96 in April 1950.

The long expected price ceilings on beef were announced late last week. In theory, beef on the hoof continues to be uncontrolled, but ceilings on prices (effective May 20) that can be paid by slaughterers to farmers will indirectly control live animal prices. These are about 10 per cent lower than recent prices paid to farmers. The lower beef cattle prices this week were a result of increased marketings and efforts of buyers to bring cattle prices in line with new wholesale and retail ceilings on dressed beef effective on May 9 and 14, respectively. Lower wholesale and retail price ceilings are scheduled to take place on August 1 and October 1 and are expected to be reflected in lower prices paid for live animals.

Farm production of meat animals in 1950 yielded 42.9 billion pounds, five per cent above the 1949 production of 40.9 billion pounds, according to a recent BAE report. Gross income from meat animals totaled 9.9 billion dollars, one billion above the preceding year but below the peaks of 1947 and 1948. Average price received for all meat animals sold in 1950 was \$21.24 per hundredweight above the 1949 average but below the record high of 1948.

Farm real estate values in the nation increased 14 per cent to a new high during the year ended April 1, according to a recent survey made by the USDA. Eight per cent of the increase has occurred since last November. Current values are 93 per cent above the 1912-14 average and nine per cent above the previous peak attained in November 1948. Prospects of higher farm income and a demand for land as an investment against inflation were given as the chief reasons for the sharp rise in values. Approximately one-third of the real estate reporters surveyed expected values to go higher, whereas only five per cent anticipated a decline in land prices. The percentage increase in farm land values for the Seventh District states since last November follows: Indiana, 18.4 per cent; Illinois, 17.0 per cent; Iowa, 16.5 per cent; Michigan, 14.5 per cent; and Wisconsin, 11.7 per cent.

The BAE reports that milk production on farms in the first quarter of 1951 was at an annual rate of 120.8 billion pounds, two per cent lower than a year ago. Milk production will increase seasonally in coming months and with average weather probably will be closer to that of 1950 than it was in the first quarter of this year.

USDA has increased the support level for 1951 crop grain sorghums from 65 to 75 per cent of the January 15, 1951 parity level. This action is an effort to encourage planting of sorghum grains on winter wheat acreage already abandoned in the Southwestern States and to insure an adequate supply of feed grains to meet livestock and poultry feeding requirements in 1951-52.

Norman R. Urquhart, Economist  
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