THE FEDERAL RESERVE BANK OF CHICAGO

AGRICULTURAL LETTER

July 6, 1951

"Peace" talk dominated markets this week and promises to be a major factor in price trends for some time to come. Farm product prices are very sensitive to changes in the peace-war climate. This reflects the fact that the supply available at any time is quite rigidly fixed. Thus, changes in demand prospects affect prices sharply.

The easing of prices has generated some discussion of depression and there are indications that some speculators are shortening their position in the market. We find little support for this outlook, however, as defense spending appears certain to increase substantially and to result in some tightening of civilian supplies toward year-end.

Farm product prices continue the downtrend which began four months ago and on June 15 averaged one per cent lower than in the preceding month. The actual level, however, was still 22 per cent above June 1950 and just slightly more than three times the pre-World War I, 1910-14, average. Prices paid by farmers for equipment and services were unchanged, averaging 283 per cent of the 1910-14 period. This resulted in a parity ratio of 106, compared with 108 in May and 97 a year ago.

The first official estimate of the 1951 corn production will be released July 10. Trade comments indicate concern that wet weather has reduced planting in Iowa and damaged the crop on low or poorly drained land. The present market seems to be attuned to an expected crop of about 88 million acres and production of about 3.2 to 3.4 billion bushels.

Price support for 1951 wheat has been announced as $2.18 a bushel, U.S. average at farms. Last year's average was $1.99. Price support loans will be available through January 1952, maturing April 30, 1952 or earlier on demand. Farm management specialists recommend that farmers who have storage facilities place their wheat under loan. Price advances are expected later in the year. USDA reports there will be no acreage allotments or marketing quotas on 1952 crop wheat.

Low storage stocks, expanding demand, and reduced numbers of laying hens on farms indicate rising prices for eggs through the summer and early fall.

Hog prices normally reach their peak for the year between July 1 and September 15. In recent years the peak has occurred early in this period. Iowa State College economists recommend "pushing" spring pigs for an early market this year, anticipating a normal price decline this fall. They point out, of course, that new international developments could change this prospect materially. A substantial price rise probably would result in a prompt announcement of price ceilings.

Milk production has passed its seasonal peak and prices are expected to rise through the summer and fall. Butter stocks are at a low level and rising personal income is reflected in a higher consumption of fluid milk with the result that production of manufactured dairy products is being curtailed. Illinois housewives can now purchase colored oleomargarine, as a result of recent action of the state legislature. Farmers supplying milk to Chicago are informed that after January 1, 1955, milk will not be accepted from herds in which there is any Bangs disease. This disease can be stamped out although it is a costly and time-consuming process. Reports indicate that the recently developed concentrated whole milk is popular in markets where it is offered and that it has not reduced fresh whole milk sales. Some dairymen believe this development holds real promise of expanding the market for milk.

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No. 99