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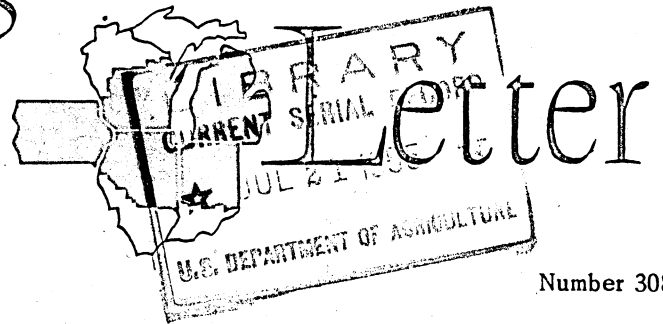
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Federal Reserve Bank of Chicago - -

July 8, 1955

U. S.
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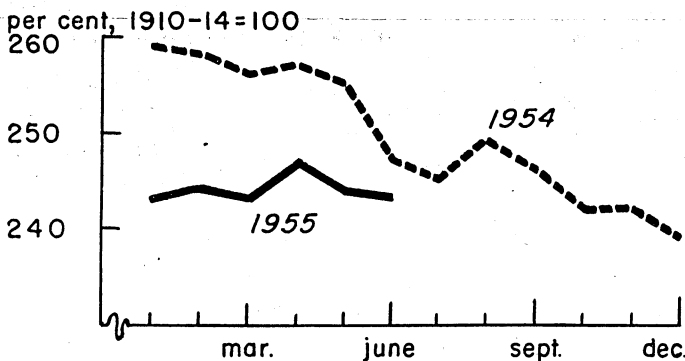
Agricultural



Number 308

PRICES RECEIVED by farmers have remained relatively stable for about a year. This is in contrast to the 21 per cent drop in farm prices from the Korean peak reached early in 1951 to mid-1954. During the last 12 months the index of farm prices has fluctuated within a 4 per cent range. Record consumer demand has been an important factor sustaining farm prices despite relatively large supplies of nearly all major agricultural commodities.

PRICES RECEIVED BY U.S. FARMERS



Nearly 60 per cent of the year's total volume of farm commodities are usually marketed during the second half of the year. Thus price trends during the next six months will be a major factor determining the level of 1955 farm income.

Prices usually decline seasonally as crops are harvested and marketings of both crops and livestock increase. With a record or near-record output of crops in prospect, large stocks, lower support prices scheduled for some commodities and a larger output of most livestock products, prices may show more than the usual seasonal decline during the remainder of the year.

Higher levels of consumer income after taxes, however, are expected to provide a strong prop under the prices of many farm products. Retail expenditures for food averaged 6 per cent above year-ago levels during the first four months of 1955. Higher levels of demand at grocery counters have probably had their greatest impact on such foods as quality fruit, vegetables and meat and the "brown and serve" and "thaw and eat" items.

Midwest farm products can be expected to chart diverse price trends. Choice hogs at Chicago have dropped over \$2.00 from their early June peak of about \$22.50, and some market analysts believe the summer top which usually comes in either July or August is already past. According to this view, hog prices may fluctuate near current levels or edge downward for the next month or so followed by a more persistent decline to their winter low.

Choice steers at Chicago have dropped over \$8.00 from their late January peaks and are currently selling for around \$24.00. Last week the cattle market showed signs of strength which some observers believe may mark the beginning of the usual seasonal upturn in fat cattle prices. However, few market analysts expect a recurrence of the 25-30 per cent gain registered a year ago when prices of choice cattle increased from \$25.00 at midyear to \$32.00 last January and February.

In the late months of the year egg production is expected to drop below year-earlier levels, and prices are expected to increase. Currently, egg contracts for December delivery are selling at Chicago for about 43 cents a dozen--over 10 cents above the year-ago price.

Grain prices continue under pressure. Contracts at Chicago for September delivery are currently being traded at prices substantially under the late summer levels of a year ago.

	Average price September 1954	Contract for delivery September 1955	Per cent change
Corn, No. 2 yellow	\$1.65	\$1.40	-15
Soybeans, No. 1 yellow . .	2.90	2.30	-21
Wheat, No. 2 hard winter .	2.20	2.00	-9
Oats, No. 2 white80	.65	-19

FERTILIZER CONSUMPTION increased by a slim margin of 1 per cent in 1954 over the year-ago level in the U. S., according to estimates of the National Plant Food Institute. However, when an allowance is made for the use of higher analysis fertilizer, the Institute estimates that over 7 per cent more plant nutrients were applied in 1954 than in 1953. Fertilizer consumption in District states and percentage changes from 1953 follow:

	1954 consumption (thousand tons)	Per cent change
Illinois	897	-2
Indiana	1,162	+5
Iowa	610	+5
Michigan	575	-4
Wisconsin	422	+4
U. S.	20,508	+1

A recent survey by the Plant Food Institute indicates that fertilizer sales have been running about 4 per cent under year-earlier levels. Sales in the Midwest were also indicated to be lagging behind the previous year's level.

Research Department