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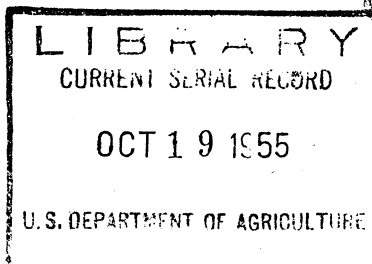
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Agricultural Letter

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PRICES received by U.S. farmers, after remaining relatively stable during the first six months of the year, declined 4 per cent during July and August. However, between mid-August and September farm prices rose 1 per cent.

Seasonal price increases for milk and eggs and higher prices for wheat, cotton and vegetables were largely responsible for the recent increase. Lower prices primarily for meat animals and poultry were only partially offsetting. Despite the gain of the past month, the index of prices received by farmers averaged 4 per cent below mid-September levels of 1954.

Grain prices at major central markets have generally charted a downward course from their levels of last winter. During the summer months record and near-record production prospects intensified the downward trend. But in recent weeks prices of the major grains have registered gains from their August lows.

Average price per bushel at Chicago:

| | Week ending Sept. 27 | Change in price from Aug. 18 | Per cent change from year earlier |
|---------------------------------|----------------------------|------------------------------------|---|
| Corn, No. 2 yellow | \$1.33 | +10¢ | -14% |
| Oats, No. 2 heavy white | .64 | + 6 | -20 |
| Soybeans, No. 1 yellow | 2.48 | +12 | -6 |
| Wheat, No. 2 hard winter . . . | 2.04 | +10 | -6 |

While increases for wheat and to a lesser extent oats are in part related to seasonal factors, gains for corn and soybeans have come at a time when these commodities usually show seasonal declines that carry into October. Deterioration in crop prospects from the lofty heights of July and August has contributed to the gains as have recent indications that the Government would take additional steps to bolster farm prices.

Egg prices at Chicago have risen 10-15 cents per dozen from their midsummer low of about 30 cents. With the substantial gain, some grades have recently been selling for 15-20 cents above the year-earlier quotation when there was no appreciable seasonal egg price rise.

Egg production continues at a record rate and through August of this year totaled 4 per cent above the corresponding period of a year ago. However, with chick replacement buying off sharply during the past spring, the size of the laying flock is expected to be smaller in

the months ahead than during the corresponding period of last year. As a result, the seasonal increase in egg production, which usually begins in the fall, is expected to be smaller than a year ago, and egg prices may remain near their seasonally high levels for the next month or so. By December, the USDA believes that prices will likely be declining toward springtime levels.

Milk prices have increased seasonally from their lows of last May and June. Average farm prices, currently about \$4.15 per cwt., are 55 cents above the late spring levels. Prices are expected to continue to work seasonally higher until early winter when milk production usually turns up.

Since last April the average price received by farmers for milk has been running slightly above the year-earlier level. And with feed prices down sharply, the milk-feed price ratio during the past three months has been above its long-term average for the first time since 1952.

DESPITE recent scattered price increases of farm commodities, the over-all supply situation still remains heavy. Total farm output is currently indicated to exceed the year-ago volume by 3 per cent. According to early September estimates, crop output is expected to be 4 per cent larger. Production of livestock and livestock products in 1955 is expected to exceed the large production of a year ago. And in recent months, with meat production running about 12 per cent above that of last year, downward pressure on livestock prices has intensified. Furthermore, record stocks, largely of feed grains, wheat and cotton, still hang over the market. Commodities owned or under loan to CCC totaled 7.1 billion dollars at the end of June—1.1 billion more than on the same date of 1954.

Some observers believe that much of the general price adjustment to the larger 1955 supplies has now taken place and usual seasonal price movements for most commodities will prevail in the months ahead. However, with the Commodity Credit Corporation in control of substantial quantities of the major grains, any change in disposal policy will play a key role in future price movements as will any change in farm price policy that may be made.

Research Department