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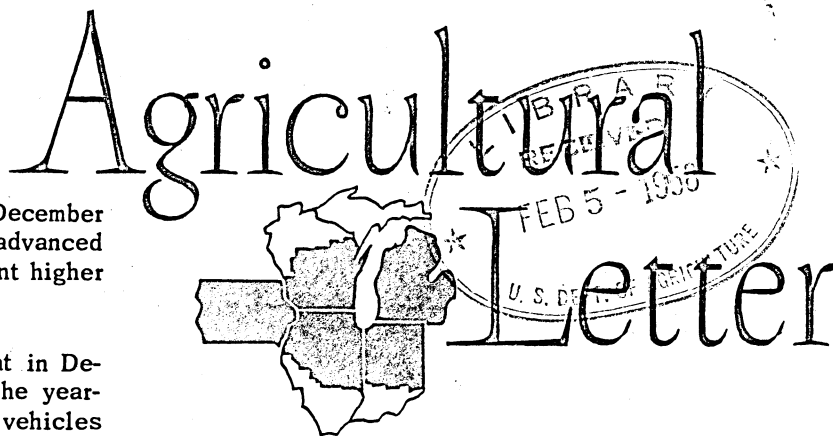
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Federal Reserve Bank of Chicago - -

January 3, 1958



PRICES RECEIVED by farmers as of mid-December held at the November level, as meat animals advanced and some crops declined, but averaged 3 per cent higher than in December 1956.

Prices paid by farmers increased somewhat in December, and also averaged 3 per cent above the year-earlier figure. Feeder cattle, tractors and motor vehicles were responsible for the advance in the "prices paid" index.

The index of prices paid by farmers consists of a large number of items including many that are purchased for personal consumption. Included also are commodities purchased from other farmers—feed, seed and feeder livestock—interest and taxes on farm real estate and farm wage rates. Price changes have varied greatly for the different groups of items.

	Per cent change	
	from year ago	from the 1947-49 average
Family living items (total)	+ 2	+ 18
Production items (total)	+ 4	+ 10
Feed	- 8	- 16
Feeder livestock	+35	+ 2
Motor supplies	+ 2	+ 22
Motor vehicles	+ 5	+ 43
Farm machinery	+ 6	+ 49
Farm supplies	+ 4	+ 22
Building and fencing materials	+ 2	+ 32
Fertilizer	0	+ 6
Seed	- 4	- 13
Interest, per acre on real estate debt	+ 8	+108
Taxes, per acre	+ 4	+ 63
Wage rates	+ 3	+ 31
Total index	+ 3	+ 20

"Prices paid" by farmers usually show only small changes in periods of modest declines in general business activity. Since the index includes many items of farm origin, it is affected by changes in prices of agricultural commodities as well as prices of "industrial" commodities.

In the absence of renewed inflationary pressures, farmers can expect prices of most purchased supplies in 1958 to hold close to current levels. However, farm wage rates may increase further but probably not as much as during the past year.

THE GROWTH IN FARM OUTPUT is well known; 1957 output is estimated to be 12 per cent larger than the 1947-49 average. However, the growth in other sectors of the economy has been much faster. Furthermore, the gain in output of agricultural commodities has depended heavily on the greater use of fertilizer, machinery and other nonagricultural materials. The amount of cropland has remained quite stable and the amount of farm labor

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has declined sharply. The result: a continued decline in agriculture's contribution to the nation's total output.

Measured in terms of the value of the nation's total output of goods and services, agriculture's net contribution of \$22.8 billion in 1956 amounted to 5.5 per cent of the gross national product. This compares with 6.8 per cent in 1940 and 7.6 per cent in 1945.

	"Net" farm output, billion dollars	Farm output as per cent of GNP
1950	21.1	7.4
1952	23.3	6.7
1954	23.9	6.6
1956	22.8	5.5

The cost of farm price supports continues as a point of political controversy. Secretary of Agriculture Benson puts the cost at \$5.2 billion in the last two years. Wheat, cotton, corn and dairy products account for more than 80 per cent of realized costs although sales of these commodities provide only 33 per cent of farm cash receipts, he says.

Furthermore, the 1.3 million farms which market 79 per cent of the produce received an average of \$1,993 of the cost of providing price supports. The 2.7 million farms marketing 9 per cent of the produce averaged only \$109.

Government payments to farmers this year are running about double the 1956 level and will be close to \$1 billion. The rise is due largely to soil bank payments.

Milk prices averaged a little higher in 1957 than in 1956. Production is estimated at about 127 billion pounds, or 1 per cent above 1956. Sustained production results from continued increases in output per cow. The number of milk cows on farms has declined further. With a favorable milk-feed price ratio, production is expected to continue at a high level in 1958. The announced lower level of price support for 1958-59 will help to limit further expansion of output.

During the year ended in March 1957, the CCC made price support purchases equal to 4 per cent of total milk produced. If the buying rate of the CCC continues for the balance of the 1957-58 marketing year, about 5 per cent of production will have been purchased.

FARM BUSINESS CONDITIONS

November 1957, with comparisons

I T E M S	1957		1956	1940
	November	October	November	November
PRICES:				
Received by farmers (1947 - 49 = 100)	89	89	86	38
Paid by farmers (1947 - 49 = 100)	119	118	116	50
Parity price ratio (1910 - 14 = 100)	81	81	81	82
Wholesale, all commodities (1947 - 49 = 100)	118	118	116	52
Paid by consumers (1947 - 49 = 100)	121 ^a	121 ^b	118 ^a	60 ^a
Wheat, No. 2 red winter, Chicago (dol. per bu.)	2.19	2.15	2.39	-
Corn, No. 2 yellow, Chicago (dol. per bu.)	1.19	1.21	1.37	.65
Oats, No. 2 white, Chicago (dol. per bu.) . . . . .	.76	.75	.83	.42
Soybeans, No. 1 yellow, Chicago (dol. per bu.)	2.29	2.26	2.53	.95
Hogs, barrows and gilts, Chicago (dol. per cwt.)	17.17	17.32	14.95	6.16
Beef steers, choice grade, Chicago (dol. per cwt.)	25.20	24.67	24.30	13.59
Milk, wholesale, U.S. (dol. per cwt.)	4.65	4.56	4.66	2.04
Butterfat, local markets, U.S. (dol. per lb.) . . . . .	.59	.59	.60	.31
Chickens, local markets, U.S. (dol. per lb.) . . . . .	.16	.16	.16	.13
Eggs, local markets, U.S. (dol. per doz.) . . . . .	.45	.43	.37	.26
Milk cows, U.S. (dol. per head)	174	172	154	62
Farm labor, U.S. (dol. per week without board)	-	41.00	39.75 ^a	-
Factory labor, U.S. (dol. earned per week)	82.32	82.56	82.22	26.93
PRODUCTION:				
Industrial, physical volume (1947 - 49 = 100)	139	141	146	73
Farm marketings, physical volume (1947 - 49 = 100)	151	167	158	88
INCOME PAYMENTS:				
Total personal income, U.S. (annual rate, bil. of dol.)	345	346	335	82
Cash farm income, U.S. ¹ (annual rate, bil. of dol.)	30 ^a	29 ^b	33 ^a	9 ^a
EMPLOYMENT:				
Farm (millions)	5.8	6.8	6.2	8.5
Nonagricultural (millions)	59.1	59.2	59.1	37.5
FINANCIAL (District member banks):				
Demand deposits:				
Agricultural banks (1955 monthly average = 100)	104.5 ^a	101.1 ^b	104.2 ^a	-
Nonagricultural banks (1955 monthly average = 100)	100.0 ^a	99.4 ^b	101.5 ^a	-
Time deposits:				
Agricultural banks (1955 monthly average = 100)	112.4 ^a	110.6 ^b	103.9 ^a	-
Nonagricultural banks (1955 monthly average = 100)	111.9 ^a	111.2 ^b	105.8 ^a	-
¹ Based on estimated monthly income. ^a October ^b September				

Compiled from official sources by the Research Department, Federal Reserve Bank of Chicago