

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date August 9, 1946

To Mr. Musgrave

Subject: Prices Since End of June

From Frank R. Garfield

Since the end of June basic commodities have risen about 20 per cent, all commodities at wholesale 10 per cent, and living costs 5 per cent.

Most of the increase was in agricultural commodities and came in the first half of July. Corn for immediate delivery rose from \$1.45 a bushel to \$2.28 in that period but later declined and yesterday was quoted at \$1.82. Corn for January delivery is now at \$1.37, the difference between cash and future prices reflecting a small carry-over and the prospect for a record crop. Cash wheat prices are now close to \$2.00, up about 10 cents from the end of June level. Cotton advanced from 31 cents to 36 cents and after dropping to 32 cents later in July, yesterday again was close to the 36-cent peak, no doubt reflecting speculation stimulated by a crop report showing only 9,290,000 bales in prospect. Hogs and high-grade cattle are above advanced mid-July levels.

With the renewal of O.P.A., price ceilings on many industrial products, particularly building materials, were raised in line with earlier plans to allow for further increases in production costs or to stimulate production. Ceilings on additional industrial equipment items were removed. To take account of the new law, ceilings on cotton goods were raised 17 per cent at wholesale. For most industrial products, however, further price increases need not be granted until after presentation by producers of evidence of increased costs. And prices of some commodities such as hides, which had advanced sharply during the lapse of control have been restored to earlier levels.

The attached table shows wholesale price advances for major groups since June 30 and also since the end of the war. The biggest rise has been in food prices, which earlier had been heavily subsidized. This group is now one-fourth higher than at the end of June and one-third higher than at the end of the war. Retail food prices advanced 13 per cent from the middle of June to the middle of July, with increases of 30 per cent in meats and 20 per cent in dairy products. Part of the *reported* recent increase in foods, both at wholesale and retail, however, has been due to failure to get representative quotations in earlier months.

Stability in rents is a factor holding down the rise in living costs.



Attachment

WHOLESALE COMMODITY PRICES

	1926 = 100 August 3	Per cent increase to August 3 from-	
		June 29	Aug. 11, 1945
Total index	125	11	18
Farm products	156	11	22
Foods	142	25	33
Other commodities	109	4	9
Hides and leather	143	15	21
Textile products	111	2	12
Fuel and lighting	92	6	9
Metal products	113	1	8
Building materials	132	1	12
Chemicals and drugs	98	1	3
Housefurnishings	113	2	6
Miscellaneous	102	4	7

Bureau of Labor Statistics indexes.