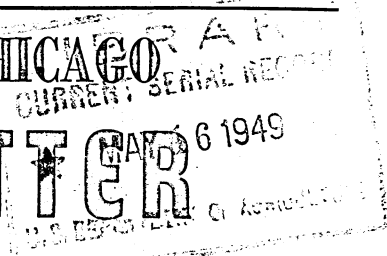


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THE FEDERAL RESERVE BANK OF CHICAGO
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Figures recently released on exports of agricultural products for the third quarter of 1947 show little change from earlier months except for the declines in exports of cotton and tobacco. Agricultural exports accounted for less than one-fourth of the total value of all exports during the quarter, compared with 29 per cent during the first quarter of the year and 36 per cent during 1946. Agricultural exports continue to be of the highest significance to farm income because of their pressure, directly or indirectly, on prices.

Food, fertilizer, and farm machinery bulk large in the schedules of needs submitted by the "Marshall Plan" countries and account for about 56 per cent of the value of all items requested for the four years scheduled. But under the "plans" at present projected, the United States would supply physically less than a third of the 14.4 billion dollars thus proposed for the four years. The State Department in a recent report emphasized that initiation of the Marshall Plan would be in operation, if adopted, against a background of acute shortages of foods and many other lines. Sometimes there is unintended confusion arising from statements of various officials involved in one way or the other with the foreign and domestic aspects of the proposed relief program. In spite of some of these statements it appears to be fully recognized generally in official quarters that operation of the program will mean shortages and physical sacrifices on the part of the American citizen.

One thing the farmer will feel will be the continuation of the very tight supply situation in fertilizers for several years possibly. The State Department says that even though fertilizer production is increasing the world shortage will continue for several years. Another pinch likely to be felt by farmers is in farm machinery. The schedules submitted by the Marshall Plan asked for over 1.2 billion dollars in farm machinery and equipment for the period. This figure was practically cut in two in the recommendations the Administration submitted to Congress. The House Committee on Agriculture apparently will look with a jaundiced eye on even these halved recommendations, for Chairman Hope announced recently that the Committee will examine carefully these farm machinery recommendations in view of the fact that domestic farmers' needs are unable to be met.

In a statement on the livestock situation, USDA forecasts a smaller total meat production in 1948 than last year. Lower farm inventories of cattle and calves after the heavy marketings of November and December mean a smaller calf crop, and reduced cattle marketings; and the relatively large marketing of 1947 spring crop pigs before the end of the year, plus a prospective reduction in the '48 spring crop, would materially reduce '48 pork supplies. Farmers' year-end intentions indicate the smallest spring crop in 10 years. Further price increases for livestock and meat are thus suggested, assuming consumer demand continues strong throughout the year. Cattle on feed as of January 1 were one-eighth below last year and the smallest total since 1940. Moreover, with feed prices and feeder cattle prices where they are, it is likely that most of the cattle will be short-fed.

The world soybean crop in 1947 was below last year and the smallest since 1940, says USDA. Increases for China, Korea, and the Dutch East Indies were more than offset by the U.S. decline in yields to 16.6 bushels from the 20.7 reported for 1946.

With fluid milk supplies seasonally short at the year end, milk prices both at retail and to producers reached all-time record highs in December. In fact, the high level of consumer demand is keeping a firm tone to dairy product markets except for some uncertainty in butter prices.

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