# THE FEDERAL RESERVE BANK OF CHICAGO

# AGRICULTURAL LETTER



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Prices received by U. S. farmers rose a little in April from the March level, but were still five per cent below the peak before the February drop according to the USDA report on prices released last week.

Last week also USDA released a study by B.A.E. economists on long range prospects for agriculture. Looking ahead to a ten year period, 1955-65, the report indicates that even with a high level of economic activity the economists anticipate that the position of the farmer will be less favorable than that in which they now find themselves. With full employment they expect farm prices to average on the whole at about parity. If economic conditions are less favorable than with full employment, in other words if there is unemployment of about 12 per cent of the labor force, the economists expect that farm prices will be around 85 per cent of parity, or at about the level that prevailed during the 1935-39 period. If the decade should turn out to be predominantly a depression period with unemployment at about 20 per cent, these economists foresee farm prices at only about two-thirds of parity. These projections are not meant as prices in dollars and cents, but prices received by farmers in relation to prices they pay.

One of the interesting points in this study is the estimates of food consumption. If the 1955-65 period is one of high employment the economists expect a per capita food consumption about 20 per cent over the 1935-39 level. If there is moderate unemployment the consumption would be about 15 per cent above prewar and about the same as the 1947 rates. If depression conditions develop they expect that per capita food consumption would be only about ten per cent above the 1935-39 averages. This seems to imply a permanently somewhat higher level of consumption per capita than prewar.

Coming down to this year's farm business, the USDA has requested hog producers to step up their fall pig production ten per cent over last fall's crop. If there is a good corn and other feed grain crop this year livestock-feed price ratios will be again favorable to expanded production, and with feed available it is likely that production will be expanded by more than the ten per cent asked. Furthermore, the reduced meat output and strong consumer demand for meats should make expansion attractive to producers.

Continued strong consumer demand for milk and milk products is reported by USDA in a statement on the dairy situation. The report states that farmers will receive higher prices for milk throughout the balance of 1948 than they did last year, and that prices will be more favorable to feeding than they have been recently. Prices received by farmers for milk and dairy products have declined less seasonally this spring than they did last year, and are now between 10 and 15 per cent above last year's level. Almost all the reduction in milk production this year has shown up as reduced manufactured product output. Consumption of fluid milk and cream during the first quarter of 1948 stayed up almost as heavy as last year. Most of the reduction in manufactured products has been in butter. Export demands for manufactured products other than butter have been an important factor.

While these exports have declined some recently, and although no detailed schedules are as yet published it is generally expected that dairy products will be used in the European recovery program at a high level, even if not at the high rates shipped during the last two years.

A special report by USDA on the prospects of U. S. fruit farmers regaining prewar European export markets indicates doubt that the market can be fully regained. It suggests that American fruit producers, particularly pear and apple growers, may have lost permanently much of the European market. Principal reason is the inability of foreign buyers to acquire dollar exchange to pay for such imports and the consequent pressure on them to get their supplies from "soft currency" countries.

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