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THE FEDERAL RESERVE BANK OF CHICAGO

AGRICULTURAL LETTER

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The cool weather last week is reported to have slowed the ripening of small grains and the growth of corn and soybeans, but this is certainly a minor note in the song of bumper production rung out by the Federal crop report on Monday, which showed that the aggregate crop output this year may exceed by a substantial margin all previous records. It is not impossible that this year's corn crop may end up 50 per cent larger than last year. Ample feed supplies are a big part of the livestock setting for the coming year. Total supplies of concentrates will be very close to the high wartime records and in terms of the livestock population to be fed will be the highest on record. USDA thus foresees a further decline this fall in the prices of feeds.

These larger supplies and lower feed prices will encourage livestock feeding, but USDA points out that obviously the larger crops cannot result in larger food consumption in 1948, which will continue below the 1946 and 1947 levels. Possibly higher prices for foods may come during the remainder of this year. Not until 1949 can the expanded feed production begin to be felt on food prices through increased livestock production. The Midyear Economic Report of the President stressed the dangers of continued inflation but gave as one of the forces tending to counteract the inflation the ultimate likelihood of lower farm product prices contributing to a drop in living costs and thus reducing the pressure for wage increases.

As for wheat, the Senate Foreign Relations Committee during the special session chucked the ghost of the International Wheat Agreement back into the closet by reporting it out with the recommendation that action be postponed until the next session because 11 of the 16 signatory nations have withdrawn, and because no funds are available for CCC to pay the subsidies to producers that would be required in selling for export below the support level.

Figures on Marshall Plan funds through June show that 57 per cent of the purchases were for agricultural products made up of 45 per cent for foods and 12 per cent for cotton, tobacco, and inedible oils. Wheat and flour constituted more than two-thirds of the food total. Of the total funds only 55 per cent were for purchases in this country. Total funds for the period were allocated by countries as follows: Great Britain 35 per cent; France 25 per cent; Italy 13 per cent; Germany 10 per cent; Netherlands 6 per cent; Austria 5 per cent; and other countries 6 per cent.

A new and baffling cattle disease, variously called "X-Disease," or "XX-Disease," and by several other names, has arisen to trouble livestock producers and scientists. Serious losses to cattle have resulted in more than half of the states. Most striking symptom is thickening of the skin. So far experiments show that the disease is not transmitted but is more likely due to something in forage or soil. Several drug treatments have been tried with no success. Progress in foot-and-mouth disease continues slow. Latest move is the appointment of a special Senate committee to investigate the disease in Mexico and to give further consideration to the location of the proposed research center in this country for studying the disease.

USDA last week announced the 1949 Soil Conservation Program under which the 262 million dollar set-up authorized by Congress is to be carried out. Six major groups of practices are to be provided, all dealing with some aspect of soil and water conservation. The most urgent conservation problem in each area is to receive major emphasis. Aid in the form of financial help, services, and materials is limited in the 1949 program to \$750 per farm unit.