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# THE FEDERAL RESERVE BANK OF CHICAGO

## AGRICULTURAL LETTER

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MAY 16 1949  
DEPARTMENT OF AGRICULTURE

November 24, 1948

It should not be allowed to go without notice here that the wholesale price level has recently given some indication that the upward movement may be halted. Actually the general level of wholesale prices has declined four per cent in the last two months, although the "weakness" has been confined to farm commodities and closely related items. Farm commodity prices are now back down to a level that is lower than at any time since the middle of 1947. Wholesale food prices are also back to the level of last March and of August of last year. The level of prices for commodities other than farm products and foods has shown very little change for nearly three months.

Among the many moves and devices that are being talked up for supposed action on prices in the next session of Congress is a revival of the proposal of Senator O'Mahoney (Dem. Wyo.) that a "cooling off" period of 30 days be required before any corporation or industry, in which five or less firms produce 30 per cent or more of the total output, would be permitted to establish price increases. During the 30-day cooling off period public hearings would be held by the Federal Trade Commission following advanced notice of the proposed increase. Presumably the device would carry no punitive provisions other than unfavorable publicity if the price increases were made to appear unjustified.

In spite of the admittedly extreme reluctance of Secretary Brannan to make such a move, USDA recently announced that the 1949 crop of potatoes will be supported at 60 per cent of parity, instead of 90 per cent, and that to get the lower support price producers next year will have to stay within acreage goals that will be nearly 10 per cent below the 1948 acreage goal. Reason for the drastic step is that this year's commercial yields ran 40 to 50 bushels per acre above expectations, and it has cost the Government nearly 100 million dollars to remove about 56 million bushels from market channels. The Secretary emphasized that the step was not to be taken as establishing a precedent for the handling of other support programs.

The world Food and Agriculture Organization (FAO) is holding its fourth annual meeting in Washington. Officials told the meeting that a bad crop in either Europe or the United States would thrust the world back into another food crisis as serious as that which followed 1945. Director General Dodd pointed out that with world population on the increase the world cannot expect to continue to depend on bumper crops in North America, and that therefore it is urgent, with per capita food supplies still only 90 per cent of prewar, that every means be found to increase world food production.

Before the elections ECA Administrator Hoffman announced that after December 1 the procurement of grain supplies would be transferred from CCC to private trade channels in line with provisions of the law which require the use of private channels wherever practicable. Recently, however, it was reported that President Truman had requested Hoffman to retain CCC as the handling agency for ECA grain purchases. Transfer is opposed on the ground that CCC operates without charging brokerage fees and that ECA funds need to be conserved.

At the FAO meetings Canada began a push for revival of the International Wheat Agreement killed by the 80th Congress through failure to ratify U. S. participation. The revival has support of delegations from several other countries, including the U. S., but it seems unlikely that much will come of the move for some time to come.

The president of a hybrid seed trade association told FAO delegates that a big step could be taken to increase world food production by the extensive use of hybrid seed corn in Europe. Pointing to possible increases in yield of 50 per cent from use of hybrids, he said that seed production capacity in this country is now above domestic requirements.

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