

◇ THE FEDERAL RESERVE BANK OF CHICAGO ◇

AGRICULTURAL LETTER

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Continued favorable growing weather has brought the estimated corn crop up to well over 3 billion bushels for the country as a whole, but it is estimated that at least 20 per cent of the crop is still exposed to the danger of killing frost before maturity. Some interests have suggested that with the danger of "wet" corn running high that the government subsidize the use of corn in the manufacture of industrial alcohol.

Ration points on cheese and set-aside requirements on cheese manufacture were reduced on September 12. The action was the result of sharp cut-backs in military requirements. Meanwhile representatives of the industry say that as a result there may be a temporary shortage of cheese due to running out of retailers' stocks. They indicated it will take several weeks for the industry to shift the bulk of its production into the channels of normal trade.

The ending of wartime restrictions on the marketing of milk and dairy products has left the nation's milk markets in a good firm price position, with no major set-backs in prices as yet reported.

Looking ahead to next year, USDA strikes a pessimistic note in warning that returns to growers for fresh fruit may be expected to decline next year. If the apple crop is of normal size a sharp break in prices is anticipated. The same is true of pears and peaches.

The Army continues to cancel food contracts as fast as buying schedules can be reviewed, but the UNRRA is stepping in as one of the nation's largest purchasers of surplus food stuffs and clothing, thus preventing the return of such goods to commercial channels in competition with new or fresh supplies. A joint Army-UNRRA group is in Paris studying at first hand the job of transferring surplus materials into the hands of the relief agency. The mission will go on to the battle areas of Europe and determine on the spot the supplies which can be utilized in the UNRRA's relief and rehabilitation work.

A British mission headed by Lord Keynes is now in this country asking aid from the US during Britain's reconversion period. Great Britain normally imports much of her food and a considerable part of her industrial raw materials. During the war she could not manufacture for export to pay for such imports and her imports were covered by lend-lease from this country. With the cancellation of that program she finds herself unable to import or to pay for imports unless credits are extended.

Holland's representatives are also in this country on a mission to buy large quantities of food, feed, and food processing equipment and will also need extensive credits to do so. Commodities the Dutch are immediately interested in are 90,000 tons of wheat per month for the next year, 50,000 tons of meat per month for the next six months, 300,000 tons of feed grains and 350,000 tons of high protein feed during the next six months, around 700,000 tons of corn in the next year, not to mention sizable amounts of milk and dried milk products and soybeans and other oilseeds.

The USDA is reported to be ready to spend as much as \$60 million to support potato prices, if necessary, under the government's obligation to support prices of products stimulated for war purposes. Some surplus potatoes, says Secretary Anderson, will be diverted to glucose manufacture in order to ease the sugar shortage.

Other parts of the surplus will be ordered to UNRRA if they can find a foreign use for them.

Research Department

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