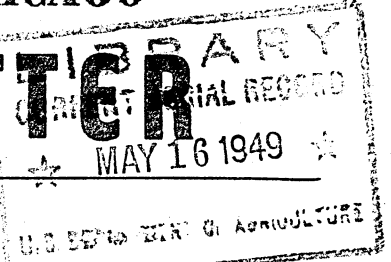


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THE FEDERAL RESERVE BANK OF CHICAGO

AGRICULTURAL LETTER



February 21, 1947

Secretary Anderson is reportedly scheduled to go to Europe in March for a firsthand survey of the needs for food. He will study capacity for food production in western Europe and probable needs for American farm products.

World needs for food imports will continue unabated, at least until late this year. Severe cold weather in Europe has caused heavy damage to fall-sown grain, necessitating considerable reseeding. Thus, additional demand for wheat has arisen (for seed). Grain exports from U.S. to June 30 will likely exceed heavy exports in the first half of '46. Exports have stepped up sharply in recent weeks, but coarse grains are a larger proportion of total than a year ago.

Secretary of State Marshall recently warned an economy minded Congress of the dangers to the success of our programs in occupied areas if the budgeted funds to the War Department for feeding people in occupied areas are cut.

Grain market strength the past two weeks has been ascribed to several factors pulling prices up in combination. In addition to heavy buying for export, market receipts have been comparatively light, partly as a result of weather and transportation difficulties. Absorption of wheat is so rapid that some observers are concerned about the possibility that carry-over at end of the season will be at a dangerously low level. It looks now like the scramble for wheat will continue pretty well up to harvest time, with not much, if any, recession in prices. The export program for 1947-48 may run upwards of 250 million bushels.

Milk production in 1946 is reported by USDA at nearly 120 billion pounds, beating all previous records except the slightly higher 1945 figure. Output per cow was at a new high record of almost 4,900 pounds. January declines in butter prices helped to set off reductions in retail fluid milk prices in several northeastern and midwestern cities. Declines of one cent a quart were general, and the 25-city average price for February declined from 19.42 cents in January to 18.92 cents. USDA has the machinery working on dairy price supports, and they will probably be announced in about a month. As mentioned in previous letters, supports were asked at levels above the 90 per cent of parity provided as minimum by law. A guess is that the new floor levels will be such as to reflect about 50¢ for Chicago butter at the flush spring season, and probably about 25-27¢ for Wisconsin cheddar cheese.

USDA has made another extension of its dried egg buying program. In addition to the 20 million pounds previously reported here, the Department last week added another 13 million pounds to the purchase program. It also was announced that the purchases for price support purposes of frozen whole eggs have totaled 7.5 million pounds since this buying began late last month.

Reduction in the rates per pound of subsidy to exported cotton were announced a few days ago. Instead of an export subsidy of 4¢ per pound, the new rate is 2¢. The move is made in order to free available funds for use on other crops, for example, potatoes.

Charging that the U.S. was not getting proper treatment in the IEFEC allocation of fats and oils, an industry representative last week before a House sub-committee urged that the U.S. withdraw from IEFEC in order to prevent a famine of oils in this country which would cripple several industries dependent on oil supplies (cars, paints and varnishes, floor coverings, etc.) Some relief to these industries may result from the deal recently completed with Argentina, whereby the U.S. will receive 10,000 tons of linseed oil a month for the next four months.

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