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# THE FEDERAL RESERVE BANK OF CHICAGO

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# AGRICULTURAL LETTER

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February 26, 1947

Grain markets continue bullish as the competition for market supplies continues. Only a relatively small part of the terminal receipts are available, most of them being deliveries on commitments. Government is expected to quit buying shortly and let the markets settle back a bit, but buying by trade is aggressively active.

The "sensational" commodity news this week, however, has been the hole punched in previous high records for hogs, with prices going over 30¢ top. Little retreat from this situation is seen by market observers, most of them feeling that the shortage of hogs will last for several weeks and prices will retreat very little until about the middle of April, when beef supplies become more plentiful to ease the pressure for meat. The bullish tone of some of the commodity markets has apparently suggested to some that we are on the road to another upward inflationary surge. This could be true, but special situations in most of the rising commodities suggest that the rise is only short-run and not permanent.

World meat production in the principal livestock countries in 1946 was slightly below 1945, according to USDA. Estimated production was 60.5 billion pounds, of which the U.S. produced 22 billion. World total was about 10 per cent below immediate prewar average.

In order to cushion declining milk prices to producers, USDA this week suspended the formulas for pricing producers' milk in New York, Boston, and two other eastern markets. The action limits the March drop in producers' prices to not more than 49¢ per hundredweight, instead of the 65-70¢ drop estimated by usual pricing formulas based on butter and dry milk prices. Government has begun active support of dairy prices by authorizing this week purchase of modest amounts of dry milk solids (non-fat). Larger purchases will be made if present action does not stabilize prices at satisfactory levels.

Sen. Aiken of Vermont, member of the agricultural committee, told the Senate this week that he thought it might be unwise to tie price supports on farm products to production controls. "With 75 per cent of the world in perpetual fear of famine, there is no surer way to incur their envy, distrust, and hatred than to limit the production of, or pay for the destruction of food in the United States while the rest of the world goes hungry."

Allocations of sugar imports for 1947 were made last week by IEFC. Total allotted this year is 15 million tons, compared with 10.9 million last year. U.S. quota this year is 6.8 million tons, as against 5.4 million in 1946.

Commodity Credit Corporation is in the spotlight of the Senate Committee on Agriculture this week in hearings on extending it for two years after June 30. The agency was criticized on grounds that supervision of its operations has been lax, and on the other hand was defended as indispensable machinery required to implement the farm price support program. There seems to be little doubt that life of the corporation will be extended.

Both houses of Congress passed and sent to the President the bill to aid in fight on hoof-and-mouth disease in Mexico. No funds are provided in the measure, but it authorizes specific cooperation with Mexico in waging the battle against the epidemic, provides for the establishment of a research laboratory in Mexico, and for monthly reports to Congress of progress in fighting the outbreak.

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