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U.S. DEPT. OF AGRICULTURE

THE FEDERAL RESERVE BANK OF CHICAGO

AGRICULTURAL LETTER

March 5, 1947

Hearings on extension of the life of Commodity Credit Corporation currently before Senate Committee on Agriculture are bringing out testimony mostly favorable to extending the agency, but with some limitation of its activities. Grain trade representatives asked for changes limiting CCC activities to financial side, leaving buying and merchandising of grain to established trade facilities. Wool trade interests asked that the handling of wool be returned to established wool enterprises.

Opposition developed this week to the Hope bill to broaden the Marketing Agreements Act to include many more farm products than at present. The Act authorizes USDA to set marketing quotas on a commodity when a referendum among producers finds two-thirds of them favoring quotas. Fruit and vegetable canning interests objected to broadening the Act on grounds that controls would have to be voted on before size of crop is known. Poultry and egg industry representation was that perishable nature of products would not permit a practical scheme of controlling volume marketed.

The Government was out of the grain market as a buyer this last week, except for some flour buying, reportedly to prevent adding to upward pressure on prices. USDA announced it has just about completed its buying from the '46 crop of wheat. It appears now that the goal of 400 million bushels of grain exports for the current crop year (ending June 30) will be reached by May 1. Assuming the transportation situation will permit clearance of remaining shipments, two additional months would leave room for substantially exceeding the goal. Although a slight improvement in the world food situation is reported, with '46 crop production about seven per cent above '45, USDA says several countries still have such low rations that large imports will be needed before the next harvest. Thus heavy demands for wheat, flour, rice, sugar, and fats and oils are expected to continue through '47.

The tone of Herbert Hoover's report to President Truman on the German relief situation was mostly in emphasis of the seriousness of the needs, but he recommended several specific conditions which he felt should surround a billion-dollar, 18-month relief program. He suggested the cost be split between U.S. and Britain; that a relief administrator be set up to coordinate U.S. relief; that no country receive relief if it has a large standing army; that relief funds be denied countries having cash or credit with which to buy; that relief be forbidden to be used for political pressure or where racial or similar discrimination is practiced; and that relief be denied where cash or other commodities are being taken from the recipient country for reparations.

Prices received by U.S. farmers as of February 15 were up slightly from January, but prices paid advanced nearly six per cent. As a result, parity ratio dropped, putting farm prices at 19 per cent above parity, compared with 21 per cent above for January and 24 per cent for December.

In the longer view USDA says it expects dairy prices during the year to weaken as the proportion of milk going into manufactured products increases. But prices for first half of '47 will be above January-June '46. Supplies of milk are expected to be about the same as in '46, with heavy feeding and high production per cow continuing. Meanwhile, as this is written producers and other dairy interests are awaiting announcement of new levels at which milk and dairy products are to be supported. USDA economists also predict a decline in livestock prices this fall, basing the outlook on the declining purchasing power of salary and wage earners, and a 1947 meat production about five per cent above 1946. But prices are seen as remaining high through the first half of the year.

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Agricultural Economist

FARM BUSINESS CONDITIONS

JANUARY 1947, WITH COMPARISONS

I T E M S	1947	1946		1940
	JANUARY	DECEMBER	JANUARY	JANUARY
PRICES:				
Received by farmers (1935-39=100)	243	247	192	93
Paid by farmers (1935-39=100)	168	166	138	98
Parity price ratio (1910-14=100)	121	124	116	77
Wholesale, all commodities (1935-39=100)	198	173	132	98
Paid by consumers - "cost of living" (1935-39=100)	153 ^c	152 ^b	130	100
Wheat, No.2 hard winter, Chicago (dol.per bu.)	2.21 [*]	2.22	1.80 [*]	1.04
Corn, No.3 yellow, Chicago (dol.per bu.)	1.33	1.34	1.16	.59
Oats, No.3 white, Chicago (dol.per bu.) .....	.84	.83	.80	.42
Soybeans, No.2 yellow, Chicago (dol.per bu.)	3.21	3.12	--	1.16
Hogs, all purchases, Chicago (dol.per cwt.)	22.45	22.87	14.72	5.32
Beef steers, good grade, Chicago (dol.per cwt.)	23.93	25.28	16.51	9.44
Milk, wholesale, U. S. (dol.per cwt.)	4.96	5.12	3.38	1.97
Butterfat, local markets, U. S. (dol.per lb.) .....	.75	.87	.51	.30
Chickens, local markets, U. S. (dol.per lb.) .....	.26	.27	.24	.12
Eggs, local markets, U. S. (dol.per doz) .....	.41	.47	.41	.18
Milk cows, U. S. (dol.per head)	144	146	115	.60
Farm labor,U. S. (dol.per month without board)	106	104	95	35
Factory labor, U. S. (dol.earned per week)..	45.65 ^b	45.68 ^a	41.15	25.51
PRODUCTION:				
Industrial, physical volume (1935-39=100)	179 ^c	182 ^b	160	122
Farm marketings, physical volume (1935-39=100)	150 ^c	168 ^b	131	108
INCOME PAYMENTS:				
Total, U. S., to individuals (Annual rate,bil.of dol.)	165 ^c	166 ^b	168	79
Cash farm income (Annual rate,bil.of dol.)	31	28	23	10
EMPLOYMENT:				
Farm (millions)	8.3	9.4	7.7	8.6
Non-agricultural (millions)	49.1 ^b	48.8 ^a	44.7	34.5
FINANCIAL:				
Demand deposits, all banks (bil.of dol.)	82.8 ^b	82.2 ^a	76.8	32.0 ^d
Loans, weekly reporting member banks:				
Total (bil.of dol.)	16.5 ^b	15.7 ^a	15.4	8.6
Commercial, industrial, and agricultural (bil.of dol.)	10.0 ^b	9.5 ^a	7.3	4.3
Agricultural loans, all insured Commercial banks (bil.of dol.)	--	1.4 ^d	--	1.2 ^d
U. S. Government total gross direct debt (bil.of dol.)	259 ^c	262 ^b	279	42

a. October. b. November. c. December. d. June.

* Based on Kansas City prices.