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AGRICULTURAL LETTER

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U.S. DEPARTMENT OF AGRICULTURE

March 20, 1947

Three dollar wheat, with corn, oats, and other grains keeping pretty much apace, tops the news in agriculture this week. Rising commodity prices put BLS wholesale prices of farm commodities up another 3.2 per cent for the week ending March 8 (highest level since 1920) and wholesale food prices up 1.9 per cent. Secretary Anderson put some of the blame (or gave some credit) for the high grain price levels to increased speculation in commodities. The Commodities Exchange Authority this week asked the major grain exchanges to raise margin requirements to at least 25 per cent of current prices "in order to prevent a speculative under-structure of thinly margined accounts." Exchanges have raised requirements for margin trading, although not to the extent suggested. There doubtless has been some increase in speculative interest--there usually is when the markets are highly active--but the major consideration is the supply situation in relation to heavy demands.

February exports of grain and grain products totaled over 50 million bushels according to USDA reports, making the total exported for the crop year 300 million bushels. USDA also reports that the 1946 world production of wheat was 5.9 billion bushels, compared with 5.2 billion in 1945 and the 1935-39 average of six billion bushels. The nation's flour mills set a new record in January, grinding nearly 65 million bushels of wheat into 28 million sacks of flour.

The price support program for 1947 potatoes announced this week requires compliance with official acreage goals if the producer is to be eligible for the supports. The plan contains a catch presumably designed to prevent nonconforming producers from cashing in on the supported price. Potatoes acquired under the purchase program are to be resold in consumer markets at current prices. Stocks bought must be free of disease, insect infestation, frost, or other damage. A slight shift in the egg price support program began this week with USDA announcing that purchase of dried whole eggs will supplant the procurement program under which 33 million pounds of dried eggs are currently being purchased for Great Britain. The program supplements the frozen egg price-support program instituted in January.

Number of "potential layers" in farm flocks is reported by USDA as being eight per cent below last year. USDA also says the early spring lamb crop in the principal producing states is down seven per cent from last year and is the smallest early lamb crop in over 20 years.

USDA farm economists say the 1947 gross cash farm income will be another record breaker and estimate the returns for this year at 25 billion dollars. The estimates are based on lower prices in the latter part of the year, partially offsetting higher prices in the first half.

Working population on the nation's farms was four per cent above March 1 a year ago, according to USDA, but the workday has dropped slightly to 10.2 hours for farm operators and 9.1 hours for hired help.

Walter B. Garver
Agricultural Economist

FARM BUSINESS CONDITIONS
FEBRUARY 1947, WITH COMPARISONS

I T E M S	1947		1946	1940	
	FEBRUARY	JANUARY	FEBRUARY	JANUARY	
PRICES:					
Received by farmers	(1935-39=100)	245	243	193	96
Paid by farmers	(1935-39=100)	172	168	139	98
Parity price ratio	(1910-14=100)	119	121	116	79
Wholesale, all commodities	(1935-39=100)	177	174	132	98
Paid by consumers - "cost of living"	(1935-39=100)	153 ^a	153 ^b	130	100
Wheat, No.2 hard winter, Chicago	(dol.per bu.)	2.28	2.21*	1.80*	1.05
Corn, No.3 yellow, Chicago	(dol.per bu.)	1.42	1.17	1.16	.58
Oats, No.3 white, Chicago	(dol.per bu.) .....	.84	.84	.81	.43
Soybeans, No.2 yellow, Chicago	(dol.per bu.)	--	3.21	--	1.06
Hogs, all purchases, Chicago	(dol.per cwt.)	25.70	22.45	14.77	5.12
Beef steers, good grade, Chicago	(dol.per cwt.)	23.79	23.93	16.36	9.53
Milk, wholesale, U. S.	(dol.per cwt.)	4.53	4.77	3.34	1.94
Butterfat, local markets, U. S.	(dol.per lb.) .....	.68	.75	.51	.30
Chickens, local markets, U. S.	(dol.per lb.) .....	.25	.26	.23	.12
Eggs, local markets, U. S.	(dol.per doz.) .....	.39	.41	.33	.20
Milk cows, U. S.	(dol.per head)	144	144	118	60
Farm labor, U. S.	(dol.per month without board)	--	106	95 ^a	35 ^a
Factory labor, U. S.	(dol.earned per week)..	46.79 ^a	46.86 ^b	40.58	25.20
PRODUCTION:					
Industrial, physical volume	(1935-39=100)	188 ^a	181 ^b	152	117
Farm marketings, physical volume	(1935-39=100)	143 ^a	150 ^b	120	90
INCOME PAYMENTS:					
Total, U. S.	(Annual rate,bil.of dol.)	184 ^a	166 ^b	163	77
Cash farm income	(Annual rate,bil.of dol.)	29	29	24	10
EMPLOYMENT:					
Farm	(millions)	8.3	8.3	7.8	8.8
Non-agricultural	(millions)	49.0	49.2	44.7	34.4
FINANCIAL:					
Demand deposits, weekly reporting member banks** (bil.of dol.)		39.9	38.7	37.6	19.4
Loans, weekly reporting member banks:					
Total **	(bil.of dol.)	16.9	16.8	15.2	8.5
Commercial, industrial, and agricultural**	(bil.of dol.)	10.7	10.5	7.4	4.3
U. S. Government total gross direct debt ...	(bil.of dol.)	260 ^a	259 ^b	279	42

* Based on Kansas City prices.

**Last Wednesday of the month. a. January

b. December 1946.