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# THE FEDERAL RESERVE BANK OF CHICAGO

# AGRICULTURAL LETTER

April 9, 1947

A big "pow-wow" of the leaders of the nation's three largest farm organizations is on in Washington this week. This may turn out to be one of the most important "farm" meetings in a long time. The leaders will exchange views on the direction they think national farm policy should take during the next several years.

Exploratory hearings by the House Agricultural Committee will begin in about ten days. Lasting several weeks, the hearings will have a parade of witnesses and hear a wide variety of views of everyone from farmers to consumers on the shaping of permanent farm legislation for the period after price support commitments end (December 31, 1948). No new legislation of this kind is expected during the current sessions. The hearings are background for consideration of law changes that will doubtless be made in 1948.

The Senate last week in a bill extended the price support of wool until the end of 1948 at the 1946 level of 42 cents. As the bill came out of the Senate Agricultural Committee, it permitted CCC to support prices either at the 1946 level or at 90 per cent of the 1935-39 comparable level (about 47 cents), but the choice was amended out on the Senate floor. The new bill ducks the controversial issue of quotas and taxes to keep out lower priced foreign wool, but does permit CCC to sell its stocks below purchase price in order to compete with imported wool. The Senate Committee report on the bill urged that it is "essential to the national welfare" to stop the declining trend in sheep population of the U.S., a trend which has now progressed for several years.

Wool interests representing 24 countries and meeting currently in London to study the world wool situation say the world wool stocks total between  $4\frac{1}{2}$  and 5 billion pounds, about equally divided between government and commercial stocks. Even though this year's production of 2.9 billion pounds is less than the estimated consumption of 3.4 billion pounds, the group feels that whittling down the surplus is a formidable problem calling for coordination of the efforts of the several countries having an interest in wool.

An increase in the world's cattle population is estimated by USDA. A total of 716 million head is estimated as of the first of this year, a one-half per cent increase over last year and about one per cent above the 1931-40 average. But the reported increases are in Europe, Asia, South America, and Africa. Decreases are reported for North American countries, Russia, and Australia.

While grain farmers in the U.S. are reading market quotations of eight dollar flax, 90 cent oats, and \$1.50 barley, their Canadian neighbors have recently been granted price increases yielding five dollar flax, 60 cent oats, and 90 cent barley. Price ceilings on grains and livestock are still in effect in Canada, and feeders are paid a subsidy of 10 cents per bushel on oats and 25 cents on barley to keep feed costs in line with ceilings on livestock products.

Rising prices paid by farmers have brought a rise in the support price for eggs. May deliveries must reflect payment of 35 cents to producers, instead of the present 33 cents.

Farm income for the first four months of the year is running 22 per cent above last year, according to USDA. Where once it was expected income for '47 might be five to ten per cent below '46, it is now anticipated that dollar gross this year may even exceed last year. Most of the current increase is coming for livestock and livestock products--up 40 per cent. Crop returns are up only seven per cent.

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