

THE FEDERAL RESERVE BANK OF CHICAGO

AGRICULTURAL LETTER

January 20, 1950

"With the likelihood of continued high rates of employment and consumer income, prices of agricultural commodities are expected to stay close to present levels in the early months of 1950." This is the conclusion of the BAE in a recent review of demand and price conditions. A price break similar to that experienced in the preceding two years is not indicated. A survey of current supply and demand data leads us to take the following view of probable price trends over the next few months.

Prices of Good, Choice, and Prime cattle are likely to decline gradually, beginning in February, while Medium and Common grades may show price strength through the spring months. There was a record high number of cattle on feed in the Corn Belt January 1, five per cent more than a year ago, but they averaged lighter in weight and had been on feed a shorter time.

Hog prices are expected to rise seasonally to mid-March due to the rising schedule of support prices and early marketing of the 1949 spring pig crop. Average prices for 1950, however, are likely to be below 1949.

Little change is indicated in supply or price of lambs. The number on feed January 1 was seven per cent less than last year and the smallest since 1922.

Dairy product prices may weaken a little as milk production increases seasonally. Government price supports are at about the same levels as in 1949 but will not vary seasonally this year. Milk production per cow continues to set new records and total production in 1950 probably will exceed 1949 output.

Eggs probably will continue at about current prices. Support purchases would limit any further price decline in the Midwest. Some farm managers are urging their clients to raise all the chicks their laying houses will accommodate this fall on the assumption that current low egg prices will cause many farmers to reduce poultry operations.

Corn prices have advanced 15 to 20 cents per bushel since September and may continue to rise toward loan rates this spring and summer. There are large supplies on farms but much of it is under CCC loan. Oat prices probably will follow corn.

Increased production of butter, lard, and cottonseed oil will limit any price rise that may develop for soybeans except that an active demand is expected at planting time for seed purposes, if acreage allotments are not established.

Wheat prices probably will continue near loan levels unless adverse weather conditions develop in important producing areas.

Dry edible beans produced in 1950 will be eligible for price support at levels calculated to average \$6.30 per cwt on a thresher-run basis for farmers who plant within acreage allotments, to be announced later. There will be no price support program for dry peas.

Programs to reduce Commodity Credit Corporation holdings of surplus farm products were announced this week. Potatoes are offered free at point of storage (mostly in the Northeast, particularly Maine) to schools, the Bureau of Indian Affairs, and public and private welfare agencies.

An export program was announced also, for potatoes and 10 other commodities—corn, barley, oats, dried eggs, dried milk, flaxseed, raw linseed oil, dry edible beans, shelled peanuts, and Mexican canned meat. In general, these products are offered to private exporters for export at less than cost to the CCC but, except for potatoes and dried eggs, not below domestic market prices. Exporters must agree to move the products promptly and to countries not using ECA dollars to make payment.

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FARM BUSINESS CONDITIONS
DECEMBER 1949, WITH COMPARISONS

I T E M S	1949		1948	1940
	DEC.	NOV.	DEC.	DEC.
PRICES:				
Received by farmers (1935-39=100)	219	222	250	97
Paid by farmers (1935-39=100)	187	186	192	98
Parity price ratio (1910-14=100)	98	100	109	80
Wholesale, all commodities (1935-39=100)	187	189	201	98
Paid by consumers - "cost of living"..... (1935-39=100)	170 ^a	168 ^b	172 ^a	101 ^a
Wheat, No.2 hard winter, Chicago (dol.per bu.)	2.31 ^c	2.07	2.38	.90
Corn, No.3 yellow, Chicago (dol.per bu.)	1.30	1.16	1.42	.62
Oats, No.3 white, Chicago (dol.per bu.) .....	.76	.76	.87	.38
Soybeans, No.2 yellow, Chicago (dol.per bu.)	2.31	2.19	2.62	.95
Hogs, barrows and gilts, Chicago (dol.per cwt.).....	15.38	16.04	21.34	6.27
Beef steers, good grade, Chicago (dol.per cwt.).....	29.91	29.35	27.82	11.86
Milk, wholesale, U. S. (dol.per cwt.).....	4.23	4.25	4.79	2.07
Butterfat, local markets, U. S. (dol.per lb.) .....	.63	.63	.66	.35
Chickens, local markets, U. S. (dol.per lb.) .....	.22	.23	.31	.13
Eggs, local markets, U. S. (dol.per doz.).....	.41	.48	.53	.27
Milk cows, U. S. (dol.per head).....	182	180	194	63
Farm labor, U. S. (dol.per week without board).....	30.75 ^b	--	30.25 ^b	--
Factory labor, U. S. (dol.earned per week).....	54.45 ^a	55.26 ^b	55.60 ^a	26.93 ^a
PRODUCTION:				
Industrial, physical volume (1935-39=100)	171 ^a	166 ^b	195 ^a	136 ^a
Farm marketings, physical volume (1935-39=100)	166	173	157	121
INCOME PAYMENTS:				
Total personal income, U. S. ¹ (Annual rate, bil.of dol.)	210 ^a	208 ^b	217 ^a	82 ^a
Cash farm income, U. S. *** (Annual rate, bil.of dol.)	26 ^a	26 ^b	31 ^a	9 ^a
EMPLOYMENT:				
Farm (millions)	7.1	9.0	7.1	--
Non-agricultural (millions)	51.7	51.6	52.1	37.3
FINANCIAL:				
Demand deposits, weekly reporting member banks* (bil.of dol.)	48.3	47.6	47.8	--
Loans, weekly reporting member banks, all leading cities: ²				
Total* (bil.of dol.)	24.9	24.9	25.6	--
Commercial, industrial, and agricultural* (bil.of dol.)	13.9	13.8	15.6	--
U. S. Government total gross direct debt** (bil.of dol.)	257	257	253	45
^a November. ^b October. ^c Estimated. *Last Wednesday of the month. **End of month. ***Based on estimated monthly income. ¹ Revised series, not comparable to data published prior to December 1948. ² Revised series, data not comparable to former series on "Weekly Reporting Member Banks in 101 Cities."				

Compiled from official sources by the Research Department, Federal Reserve Bank of Chicago.