

# THE FEDERAL RESERVE BANK OF CHICAGO

## AGRICULTURAL LETTER

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Farm product prices at mid-March were unchanged from a month earlier according to the BAE, but prices paid by farmers for commodities used in farm production and family living increased about one per cent. These changes brought the parity ratio to 95 per cent compared with 101 a year ago and the record of 122 in October 1946.

Appropriations for the Department of Agriculture for the year ending June 30, 1951, were recommended last week by the House Appropriations Committee in the amount of 764 million dollars, moderately less than in the current year. The Committee indicated, however, that it was "disturbed about the question of efficient administration and operation within the Department" and recommended that the Secretary of Agriculture and his staff "make a special study of these matters during the coming year." The main objection centered in the "overlapping and duplication of operations, particularly in connection with activities in the field."

Butter accumulated for price support purposes now totals about 85 million pounds, and there are indications that the inventory may double in the year ahead. Butter cannot be stored indefinitely. Part of the stock is now reported to be nearing spoilage. It has been suggested that the butter be converted to butter oil so that it can be stored longer without spoilage and with the possibility that an outlet might be developed for it in the Far East. This would involve additional expense, however, with no assurance that markets would be available for the oil.

Price supports now cover about 830 million bushels of 1949 crop grains. Closing date for loans and purchase agreements has passed for all grains, except corn which may be placed under support through May 31. Quantities of 1949 grains under loan and purchase agreements, in millions of bushels, are: wheat, 379; corn, 269; grain sorghums, 82; oats, 40; barley, 33; soybeans, 15; flaxseed, 12; and rye, one.

Consumer expenditures for food since the third quarter of 1948 have consistently accounted for about 27 per cent of disposable income. Actual per capita dollar expenditures have declined, however, and in the fourth quarter of 1949 were about six per cent lower than a year earlier.

Soybean prices will be lower this fall than in 1949, according to Iowa State College, but the price outlook is still good enough to make soybeans the best paying cash crop, other than corn, for most Iowa farmers. Although soybeans probably will be low-priced relative to corn, returns from beans are expected to compare favorably with oats and, except where oats are used as a nurse crop for legumes or grass, may prove the more profitable cash crop in 1950.

Increased use of electric power on farms is indicated by the purchase of  $5\frac{1}{2}$  billion kilowatt-hours by REA financed rural power systems in 1949. This is one-third more than they purchased in 1948.

The Department of Agriculture is urging adoption of marketing agreements and orders in commercial potato producing areas this year in an effort to stabilize markets and limit the cost of price support.

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