

THE FEDERAL RESERVE BANK OF CHICAGO

AGRICULTURAL LETTER

April 21, 1950

Cash receipts from farm marketings in the first four months of 1950 will total about 7.3 billion dollars, according to BAE estimates, five per cent less than in the corresponding period of 1949. Prices are averaging about eight per cent lower, but the volume of marketings is up a little. Receipts from livestock and products are off about six per cent while crop receipts are only slightly below a year ago.

The Michigan Bankers' Association in cooperation with the Agricultural Economics Department of Michigan State College sponsored a highly successful Agriculture-Finance Clinic at East Lansing last week. The activity is similar to one held at Purdue University last month and to one scheduled at the University of Illinois at Urbana in October. The Michigan Association received national recognition recently (Banking, April 1950) on its program of sponsoring scholarships for farm boys and girls to the Agricultural Short Course at the State College.

Iowa's spring pig crop probably will increase less than the seven per cent indicated last December, according to a recent survey by the Iowa Crop and Livestock Reporting Service. Farrowings through March, which account for about one-third of the spring litters, exceeded farrowings for the comparable period a year ago by only one per cent and for the month of March alone showed a four per cent increase. Pigs saved per litter is above average but about the same as last year.

Cattle on feed April 1 in 11 Corn Belt states exceeded the year-ago number by eight per cent, according to a recent Government report. Increases for Seventh District States were: Wisconsin, 20 per cent; Indiana, 15 per cent; Iowa, 14 per cent; and no change for Illinois and Michigan. Feeder cattle in-shipments in January-March were one-third larger than last year. Calves accounted for 21 per cent of the cattle on feed, compared with 12 per cent a year earlier. Cattle feeders reported intentions to market 58 per cent of the animals on feed April 1 after July 1 this year, compared with 51 per cent last year.

Chicks hatched in March were at about the same level as a year ago, but there were 10 per cent fewer eggs in incubators on April 1 and 37 per cent fewer chicks booked for May 1 delivery than in 1949, according to BAE reports. The same number of turkey poults were hatched in March as a year earlier, but 20 per cent more eggs were in incubators on April 1 this year.

Production of feed grains in 1950, if yields equal the 1944-48 average, may total about 114 million tons, 10 per cent less than in 1949 but 15 per cent larger than in the immediate prewar years. With a large part of the carry-over in CCC stocks and with increasing livestock production, prices probably will be nearer support levels than in the past two seasons. Also, prospects for a short corn crop in Argentina may increase foreign demand for U.S. corn.

Dairy price supports received further attention in the past week. The American Butter Institute recommended that the Secretary of Agriculture immediately reduce price supports on butter to the minimum level permitted by present law (a reduction of about three cents per pound) and urged the Congress to consider "establishment of support price

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levels on butterfat and milk no higher than necessary to assure protection against disaster." To this proposal the National Milk Producers Federation took sharp exception on the grounds that price cuts are not justified and that consumption can be increased by such other measures as aggressive merchandising and reduced handling costs.

Meanwhile a USDA official estimated that the Government may have to buy about four per cent of all milk produced this year, compared with two per cent last year. He urged the Federation members to consider other methods of supporting dairy income. In an effort to dispose of burdensome stocks, the CCC announced that butter and cheese are added to the list of commodities offered free to public and private welfare agencies.

Mounting price support losses, particularly on perishable commodities, is attracting increasing attention from farmers and Congress as well as other quarters. "Self-financing" programs—usually involving "processing taxes" or "equalization fees"—are suggested by some farm spokesmen. The Senate Agriculture Committee has recommended giving the Secretary of Agriculture authority to cut back potato marketing quotas when a surplus exists even though farmers had already complied with acreage allotments.

Planted acreage of sweet corn for processing is indicated to be 22 per cent below 1949 according to a recent BAE survey of processors. Acreage of snap beans for processing is indicated at about the same level as in 1949.

Dry edible beans produced in 1950 will be supported at a level to reflect an average of \$6.30 per cwt. to farmers on the thrasher-run basis for beans grading U.S. No. 2 or better.

Chicken and turkey prices will not be supported in 1950, the USDA has announced.

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FARM BUSINESS CONDITIONS

MARCH 1950, WITH COMPARISONS

I T E M S	1950		1949	1940
	MAR.	FEB.	MAR.	MAR.
PRICES:				
Received by farmers (1935-39=100)	221	221	241	96
Paid by farmers (1935-39=100)	195	194	199	98
Parity price ratio (1910-14=100)	95	96	101	76
Wholesale, all commodities (1935-39=100)	188	189	196	98
Paid by consumers - "cost of living" (1935-39=100)	166 ^a	167 ^b	169 ^a	100 ^a
Wheat, No.2 hard winter, Chicago (dol.per bu.)	2.35	--	2.27	1.06
Corn, No.3 yellow, Chicago (dol.per bu.)	1.34	1.30	1.34	.58
Oats, No.3 white, Chicago (dol.per bu.) .....	.78	.77	.75	.43
Soybeans, No.2 yellow, Chicago (dol.per bu.)	2.48	2.36	2.28	1.14
Hogs, barrows, and gilts, Chicago (dol.per cwt.)	16.41	16.85	20.49	5.13
Beef steers, good grade, Chicago (dol.per cwt.)	27.33	27.19	24.19	9.86
Milk, wholesale, U. S. (dol.per cwt.)	3.79	3.95	4.04	1.84
Butterfat, local markets, U. S. (dol.per lb.) .....	.62	.63	.63	.28
Chickens, local markets, U. S. (dol.per lb.) .....	.24	.22	.30	.13
Eggs, local markets, U. S. (dol.per doz.) .....	.32	.30	.41	.15
Milk cows, U. S. (dol.per head)	186	184	189	60
Farm labor, U. S. (dol.per week without board).....	29.25 ^b	--	29.75 ^b	--
Factory labor, U. S. (dol.earned per week)	56.37 ^a	56.33 ^b	54.25 ^a	25.20 ^a
PRODUCTION:				
Industrial, physical volume (1935-39=100)	184	180	184	114
Farm marketings, physical volume (1935-39=100)	118	108	118	91
INCOME PAYMENTS:				
Total personal income, U. S. ¹ (Annual rate, bil.of dol.)	219 ^a	218 ^b	213 ^a	77 ^a
Cash farm income, U. S. ^{***} (Annual rate, bil.of dol.)	24	25	27	9
EMPLOYMENT:				
Farm (millions)	9.4	8.3	9.4	10.4
Nonagricultural (millions)	50.9	50.7	50.3	34.6
FINANCIAL:				
Demand deposits, weekly reporting member banks* (bil.of dol.)	46.2	46.8	44.9	--
Loans, weekly reporting member banks, all leading cities: ²				
Total* (bil.of dol.)	24.9	25.0	25.0	--
Commercial, industrial, and agricultural* (bil.of dol.)	13.8	13.9	14.9	--
U. S. Gov't total gross direct debt**. (bil.of dol.)	256	256	252	43

^aFebruary.

^bJanuary.

* Last Wednesday of the month.

** End of month.

*** Based on estimated monthly income.

¹Revised series, not comparable to data published prior to December 1948.

²Revised series, 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

Farm product prices continued generally steady in March. Modest price advances occurred for grain, poultry, eggs, fruit, and some types of meat animals, but their effects were offset by price declines for dairy products and truck crops. Grain prices continued to advance in April. Demand for farm products has continued at a high level. Total personal income increased moderately, but cash farm income continues about 10 per cent below the year-ago level. Most of the current strength in farm product prices appears to be seasonal, made effective in the markets in most instances by the withholding of supplies through price support programs. Industrial production is indicated to have increased in March to a level equal to the March 1949 volume.