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AGRICULTURAL LETTER

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The major measures of economic activity continue at high and relatively stable levels, but most business analysts anticipate a renewal of inflationary pressures later in the year as defense spending increases. This suggests that demand for farm products will continue strong and lends emphasis to the important controversy over control of livestock and meat prices. Farmers and processors have marshalled their forces to get beef exempted from recently announced ceilings which include price rollbacks from recent market prices.

The real test of meat and livestock price controls, assuming they are not eliminated by legislation, probably will come during the third quarter of the year when increased demand and seasonally smaller supplies are indicated.

Some indications of black markets have already appeared, particularly in large consumer centers far removed from surplus producing areas. Trade interests suggest that these conditions will spread to other areas, particularly for beef, veal, and lamb.

Meat production during recent months exceeded the year-ago level by a small margin due entirely to a large output of pork. Beef supplies have been a little below a year ago; also, veal and lamb have been down sharply. Total meat supplies are expected to decrease seasonally during the summer months but to remain a little above year-ago volume until the fourth quarter when a substantial increase in supply is indicated.

The rollback of wholesale beef prices changed the tone of feeder cattle markets from one of aggressive demand to one of bearishness and uncertainty. Average cost of feeder steers shipped from the Kansas City market during April was \$35.64, compared with \$25.79 in April 1950. For calves, the corresponding prices were \$38.48 and \$26.03. Prices for the week ending May 3 were off about \$2.00 from the preceding week.

The farm labor situation was clarified further during the past week with announcement that the Labor Department has listed farm operators and assistants as a "critical occupation". This makes such agricultural workers eligible for deferment. Detailed procedures by which draft boards will evaluate individual cases are being developed.

Farm demands for critical materials are still being reviewed by the National Production Authority with some indication that the request for steel allocations equal to 1949 consumption is considered excessive. Secretary Brannan and his staff are urging that agriculture be classified as an essential defense industry and considered as such in the allocation of scarce materials.

The recently developed concentrated milk continues to attract attention. The first month's sales in the Boston market equalled about two per cent of the fluid milk volume and apparently was used by consumers as a substitute for the usual bottled milk. A University of Illinois professor estimates that savings in marketing costs of from two to six cents a quart may result from this development. The saving increases as transportation costs rise. Extensive development of this method of handling milk may place Midwest producing centers in an improved competitive position as suppliers for distant markets.

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CORRECTION: The percentage increase in farm real estate values for Seventh District states reported last week is for the year ending in March rather than the November to March period.