

# THE FEDERAL RESERVE BANK OF CHICAGO

## AGRICULTURAL LETTER

January 25, 1952

Price ceilings and supports are in the news again. OPS rollbacks of potato prices and wool ceilings have touched off widespread complaints by producer interests. The actions are generally interpreted as indicating a policy of fixing ceilings at about the minimum permissible level. Meanwhile, some congressmen have taken an interest in the matter and announced intentions of boosting the minimum ceiling level, possibly from 100 to 110 per cent of parity. Cotton interests have proposed a change in the base grade for which parity is computed, a move which would, in effect, raise the parity price for that commodity. The CCC grain storage program is being investigated to determine responsibility for the disappearance of corn and wheat acquired under the price support program. Secretary Brannan testified recently that shortages of Government commodities stored in private warehouses may run from 5 to 7 million dollars. The President in his Budget Message estimated that funds needed for price support activities in the year ending July 1, 1953, would total 240 million dollars, compared with 70 million in the current year.

A record number of cattle are on feed! The January 1 total was 5.1 million head, 11 per cent more than a year earlier, according to USDA estimates. Shipments of stocker and feeder cattle into Corn Belt states in July-December were 8 per cent larger than in the corresponding period in 1950 but December inshipments were off about one-fifth from the year-ago volume. More of the cattle on feed are heavyweights—over 900 pounds—than was the case last year, indicating that marketings through May probably will be in large volume. Three-fourths of the cattle have been on feed three months or less. Farmers report intentions to market 36 per cent of the January 1 number by April 1, a somewhat larger proportion than was indicated last year.

More sheep and lambs are on feed than a year ago but the 3.9 million head total is still one of the smallest in the last 20 years. Nevertheless, markets have shown some weakness, which producers have attributed largely to the recent rollbacks in wool prices.

Hatchery production of chicks continues at high levels. Output during December was a record and 21 per cent above the December 1950 hatch. The 1951 total exceeded the previous record by 9 per cent. This expansion reflects primarily the growth in production of broilers. Broiler prices have strengthened in recent weeks, indicating a continued strong demand for chicks.

Booming butter prices attract attention to the current dairy situation. In addition to the effects of the seasonally low volume of milk production, butter supplies are limited by the strong demand for fluid milk. Milk production on U.S. farms in December was down 2 per cent from the year earlier volume, and on a per capita basis, was the lowest for the month in records dating back to 1930. Milk dealers' average buying price for Class I milk in leading cities was \$5.42 per cwt. early in January, \$0.44 more than in January last year. Retail prices were up 1.6 cents a quart.

Annual Farm and Home Week shortcourses start January 28 at both the University of Illinois and Michigan State College. The programs extend over four to five days and are packed with up-to-date reports on current farming and results of research work under way at the state experiment stations. It is an excellent opportunity for anyone closely connected with agriculture to keep abreast of a rapidly changing technology.

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# FARM BUSINESS CONDITIONS

DECEMBER 1951, WITH COMPARISONS

I T E M S	1951		1950	1940
	December	November	December	December
PRICES				
Received by farmers ..... (1935-39-100) .....	284	280	266	97
Paid by farmers ..... (1935-39-100) .....	222	222	207	98
Parity price ratio ..... (1910-14-100) .....	107	106	108	80
Wholesale, all commodities ..... (1935-39 100) .....	219	220	218	98
Paid by consumers - "cost of living" ..... (1935-39 100) .....	189 <sup>a</sup>	187 <sup>b</sup>	176 <sup>a</sup>	101 <sup>a</sup>
Wheat, No. 2 hard winter, Chicago ..... (dol. per bu. ) .....	--	2.51	2.36	.90
Corn, No. 3 yellow, Chicago ..... (dol. per bu. ) .....	1.93	1.83	1.69	.62
Oats, No. 3 white, Chicago ..... (dol. per bu. ) .....	1.05	1.07	.98	.38
Soybeans, No. 2 yellow, Chicago ..... (dol. per bu. ) .....	2.99	2.93	3.02	.95
Hogs, barrows and gilts, Chicago ..... (dol. per cwt.) .....	18.17	18.69	18.88	6.27
Beef steers, choice grade, Chicago <sup>1</sup> ..... (dol. per cwt.) .....	34.78	36.09	32.98	11.86
Milk, wholesale, U. S. .... (dol. per cwt.) .....	5.22	5.15	4.54	2.07
Butterfat, local markets, U. S. .... (dol. per lb. ) .....	.76	.72	.65	.35
Chickens, local markets, U. S. .... (dol. per lb. ) .....	.23	.23	.22	.13
Eggs, local markets, U. S. .... (dol. per doz. ) .....	.51	.57	.58	.27
Milk cows, U. S. .... (dol. per head) .....	252	252	218	63
Farm labor, U. S. .... (dol. per week without board) .....	35.25 <sup>b</sup>	35.25 <sup>c</sup>	31.25 <sup>b</sup>	--
Factory labor, U. S. .... (dol. earned per week).....	65.25 <sup>a</sup>	65.21 <sup>b</sup>	62.23 <sup>a</sup>	26.93 <sup>a</sup>
PRODUCTION:				
Industrial, physical volume ..... (1935-39-100) .....	218	218	218	140
Farm marketings, physical volume ..... (1935-39-100) .....	167	190	170	121
INCOME PAYMENTS:				
Total personal income, U. S. <sup>2</sup> ..... (Annual rate, bil. of dol.)..	257 <sup>a</sup>	258 <sup>b</sup>	236 <sup>a</sup>	82 <sup>a</sup>
Cash farm income, U. S. *** ..... (Annual rate, bil. of dol.)..	34	35	30	9
EMPLOYMENT:				
Farm ..... (millions) .....	6.5	8.9	6.8	7.5
Nonagricultural ..... (millions).....	54.6	54.3	54.1	37.3
FINANCIAL:				
Demand deposits, weekly reporting member banks* (bil. of dol.) .....	54.2	53.0	51.8	--
Loans, weekly reporting member banks, all leading cities: <sup>3</sup>				
Total* ..... (bil. of dol.) .....	35.5	34.5	31.1	--
Commercial, industrial, and agricultural * ..... (bil. of dol.) .....	21.6	20.9	17.8	--
U. S. Gov't total gross direct debt ** ..... (bil. of dol.) .....	259	259	257	45

<sup>a</sup> November    <sup>b</sup> October    <sup>c</sup> July

\* Last Wednesday of the month.    \*\* End of month.

\*\*\*Based on estimated monthly income.

<sup>1</sup> Reported as "good" prior to January 1951.

<sup>2</sup> Revised series, not comparable to data published prior to December 1948.

<sup>3</sup> Revised series, not comparable to former series on "Weekly Reporting Member Banks in Leading Cities of the U. S."

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

"General stability" continued to describe most economic measures in December. Farm product prices were up moderately from November and, since farm costs remained stable, the parity ratio advanced a point. The major changes were in the employment and financial sectors. Farm employment was at an exceptionally low level, nearly 5 per cent below a year ago, but nonagricultural employment was well above the previous month and half a million above December 1950. Good industrial employment opportunities in many areas apparently continue to attract workers from agriculture. Commercial bank deposits and loans were well above month-ago and year-ago levels.